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FINANCIAL TIMES

GENERAL

Not too late for Smith-Ennals

Mr. David Ennals, Foreign Office Minister of State, returned yesterday from his meetings with President Nyerere of Tanzania and President Michel of Mozambique with the message that there was still time to ensure an orderly transfer to a non-racial society in Rhodesia if the Europeans there could "come to terms with their situation".

Of his talks with the African leaders, Mr. Ennals said there was a broad measure of agreement on Rhodesia. "Certainly we agreed that the pressures on the illegal regime must be maximised."

Mr. Ennals emphasised, however, that there was general recognition that in the absence of a settlement, the guerrilla war could drag on for a long time although the outcome would be the end of white minority rule.

Welensky ill

Sir Roy Welensky, 69, former Prime Minister of the Central African Federation who is visiting Britain, has a slight heart condition and is in London's Harley Street Clinic.

In Johannesburg, Mr. James Kruger, South African Justice Minister, said that the Government was considering the release of Nelson Mandela and other black nationalist leaders who are serving sentences in Robben Island prison.

150 arrested

Violent rioting in Madrid, Barcelona and Bilbao resulted in the arrest of at least 150 people, more than 100 of them in Madrid where several political leaders were taken to a BBC TV team in the Palace Hotel when police moved in. Rubber bullets, tear gas and baton charges were used against Left-wing demonstrators in Madrid and Barcelona. In Bilbao, a extreme Right-wing demonstration, bombed three shops. Page 7

Fighting disrupts Lebanon truce

As sporadic fighting, kidnappings, murder and looting continued to disrupt the un supervised 10-day truce which began in Lebanon last Friday, the country's Muslim and Christian leaders appeared to be no closer to finding a political solution to the year-old crisis. From Paris, where he is holding arms supply talks with President Ghassani, President Sadat's Egypt appealed to President Fawzi of Lebanon to end the fighting. Page 7

Italian yacht due to-morrow

CS 6 RB 11 Busnelli, Italian yacht in the FT, Cleve, Race and the only boat still at sea on the return to Sydney, Australia, is expected to cross the finishing line at Dover tomorrow morning after 107 days at sea.

Gun-run move

A team of U.S. Customs men arrived in London yesterday to inspect about 200 top supplies of arms and money reaching the IRA from sympathisers in the U.S. British and U.S. officials will exchange information.

Briefly...

Imke of Albuquerque, the 57-year-old Spanish amateur jockey, who was injured when his horse, Nerves, fell during the Grand National, is "conscious and comfortable" Walton Hospital, Liverpool, reported. Report and today's racing. Page 2.

Mr. Brian Croxall, 46, Minister of State in the Department of Health, was collapsed in the Commons on March 23, is still seriously ill in the National Hospital for Nervous Diseases. Earl of Snowdon arrived at London's Heathrow airport from Australia last night.

BUSINESS

Ministers to meet on EEC budget

EEC Foreign and Finance Ministers will hold a joint session in Luxembourg for the first time today to try to agree on priorities for next year's budget.

Britain and West Germany see the exercise as part of a new discipline to keep tighter control on EEC spending and ensure that it is politically justified. Back Page

BRITISH STEEL Corporation will receive a £7m. loan from the EEC to help finance blast furnace development at Port Talbot, South Wales. This brings total loans approved for the industry since Britain joined the EEC to nearly £400m. Page 4

£9m. contract from Dubai

DUBAI has awarded a £9m. contract to Bernard Sunley for a medical services complex, one of the biggest of its type in the world. Back Page

SHIPPING INDUSTRY leaders have told the Government that the gap between shipbuilding prices in the U.K. and abroad must be closed before a steady flow of orders is likely. Back Page

CONCORD global flight network will expand on Friday when Air France starts weekly London-Airbus service via the Azores. Page 4

ENGINEERING EDUCATION courses in the U.K. concentrate too much on research at the expense of design, according to a Design Council booklet. Page 4

CBI hopes for export boost

CBI BELIEVES that a potentially sustainable export-led recovery is underway. Its latest economic assessment, in contrast with the recent gloomy predictions of the Cambridge group. Back Page

TRADE UNIONS should have the right to decide, company by company, whether to take part in the new supervisory Boards, says the TUC in supplementary evidence to the Bullock committee on worker participation. Page 9

GRIBE has been offered at some time to one in five of the 150 U.K. managing directors who look part in a survey by the magazine Business Administration. One in five also claims to have lost business through bribery by competitors.

CREDITORS, including U.K. Government representatives, will meet on St. John's, Newfoundland, today to salvage what they can from their investment in the oil refinery at Come By Chance, which is in receivership. The U.K. Government guaranteed British loans of about \$50m. (£15m.) and is responsible for a \$110m. (£59m.) mortgage.

COMPANIES

AIKEN BANK, London-based subsidiary of Aiken Overseas, has taken a 30 per cent. shareholding in the Edinburgh investment management company, Ivory and Sims. Back Page

MR. JIMMY GOLDSMITH, acting chairman of Slater Walker Securities, hopes to give up his position as soon as possible. Reports that he could leave within three months were described yesterday as guesswork. A permanent successor has not yet been found.

CHARLES CLIFFORD Industries, recently the subject of a bid approach, reported a turnaround from a 1974 loss of £186,000 to a taxable profit of £255,000 last year. Page 26

Jones backs call for more flexible incomes policy

BY ROY ROGERS, LABOUR CORRESPONDENT

Mr. Denis Healey, Chancellor of the Exchequer, will put the finishing touches to his Budget to-day safe in the knowledge that the main trade union leaders are gradually coming round to his way of thinking on what should replace the £6 pay policy expiring at the end of July.

Detailed discussion on the new wages policy will take place after to-morrow's Budget, but it is clear from recent speeches by union leaders that what is likely to emerge is a combination of a flat rate and a percentage—a mixture which the Chancellor is known to favour.

The most significant indication of changing union attitudes came at the week-end from Mr. Jack Jones, general secretary of the Transport and General Workers' Union, architect of the £6 flat rate, and until Saturday a proponent of a further period of flat-rate rises.

In a keynote speech at the opening of the union's new Midlands offices, Mr. Jones spoke of the need for "some flexibility" in the next phase of pay policy.

"In any policy for next year it would seem essential to maintain an element of flat rate increase to ensure social justice, but to maintain the necessary unity it seems there is now a need for some flexibility in the policy."

He told TGWU officials representing many of the thousands of Midlands car workers made idle last week by pay disputes attributable, at least in part, to the rigidity of the existing pay policy. Provision should be made for a margin to allow for incentives to be attached to improvements in productivity and some movement of differential payments against proper evaluation of work performed.

Similar calls for flexibility have come from Mr. David Bassett, general secretary of the General and Municipal Workers' Union, and from Lord Allen, general secretary of the Union of Shop, Distributive and Allied Workers and chairman of the TUC economic committee.

In his union journal published to-day, Lord Allen writes of a strong case for acknowledging the need for restoration of differentials and productivity deals.

When the TUC general council debates pay policy later this month there are certain to be calls, especially from the craft unions, for a new evaluation of work performed.

The Foreign Secretary, who is expected to take over as Prime Minister to-night, intends to make an immediate appeal for national support for the Government's efforts to overcome the economic crisis.

Mr. Harold Wilson, for the last time as Premier, has called Cabinet Ministers to Downing Street to hear Mr. Denis Healey, Chancellor of the Exchequer, outline the contents of to-morrow's Commons statement.

But Mr. Callaghan, while leaving the Budget mechanics to the Chancellor, aims to strengthen the Government's hand with the rallying call for national unity. The Foreign Secretary spent yesterday at his Sussex farm preparing for possible television and radio broadcast as soon as he takes over as head of the Government.

Mr. Callaghan intends to restore the confidence which has been shaken by the uncertainty of the leadership election and the motor industry's recent troubles.

He is expected to reassert the Government's determination to continue the fight against inflation and unemployment; to demonstrate his faith in the alliance with the trade unions; and to appeal for the country's full support in the difficult period ahead.

Mr. Callaghan is also likely to put his own stamp firmly on the Government's future with Cabinet changes that will restate any idea that he intends to act as a caretaker Prime Minister. The reshuffle, for some time at least, will be restricted by a number of considerations.

Mr. Michael Foot's unexpected, large and widespread support in the leadership election has put him in a position in the Government's relations with the unions will make him Deputy Prime Minister in fact if not in name. His presence should prevent any onslaught against the Left wing.

Mr. Healey, despite his elimination from the leadership contest, remains a powerful figure as the architect of the paid.

Mr. Hugh Scanlon, president of the Amalgamated Union of Engineering Workers, Britain's second largest union, declared last week that if there was no alternative to a second stage of pay restraint his union would probably argue for percentage-based increases.

The precise policy of the AUEW and several other big unions will be decided at annual delegate conferences, some of which take place before the special TUC conference being arranged for June which will be asked to endorse whatever proposals finally emerge from the general council.

Union leaders will be looking to to-morrow's Budget to help create the right atmosphere in which to persuade their members to agree to another year of voluntary pay restraint. They have asked the Chancellor to initiate controlled growth by injecting £1.8bn. into the economy and introduce selective import controls, higher pensions and tax concessions for the lower paid.

Another TUC demand is that Mr. Healey should set a target of reducing unemployment levels to 600,000 by 1978.

Mr. Len Murray, TUC general secretary, commented on the week-end that the TUC was looking for a realistic Budget, one that recognised the harsh realities of the economic situation, but did not hamper the TUC in its task of maintaining trade support for a realistic and sound policy.

Both Mr. Roy Jenkins, the Home Secretary, and Mr. Anthony Crosland, Environment Secretary, have been tipped for the post of Foreign Secretary.

Alternative moves suggested for Mr. Jenkins have also included responsibility for the Government's devolution policy or, out of politics, into the Presidency of the EEC Commission.

Mrs. Barbara Castle, Social Services Secretary, and Mr. William Ross, Secretary for Scotland, are widely regarded as candidates for early dismissal; while Mr. Merlyn Rees, Northern Ireland Secretary, has obviously strengthened his prospects for promotion by his management of Mr. Callaghan's election campaign.

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Callaghan plans appeal to nation on economy

BY PHILIP RAWSTORNE

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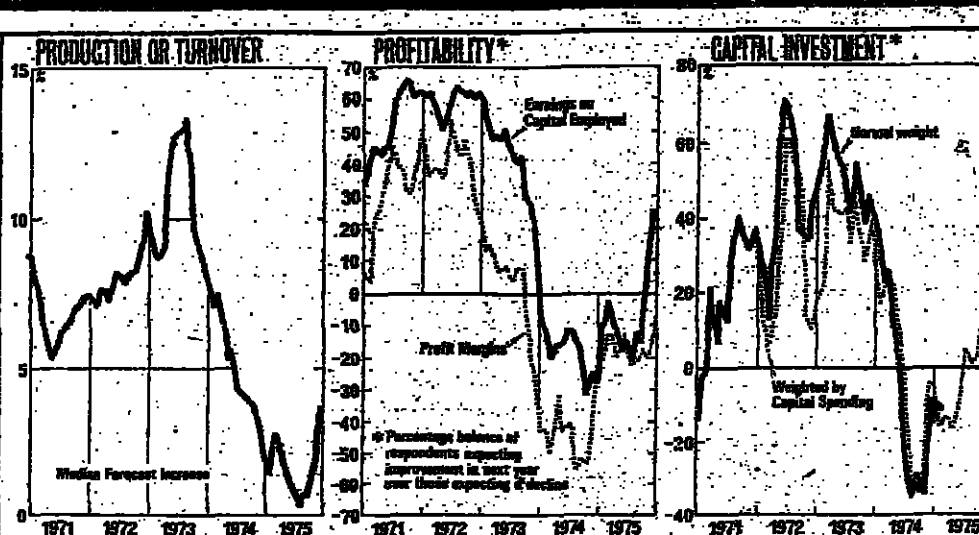
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FT Monthly Survey of Business Opinion



Recovery hopes stronger

A DEFINITE recovery in industrial activity in the U.K. with deliveries, orders and stockbuilding all pointing to a revival, is suggested by the latest FT survey of business opinion, out this morning.

Two further themes of the survey are that businessmen expect a further deceleration in the inflation rate, and that—in the revival of output now reported—higher exports are likely to play an important part.

The survey adds to the evidence that industrial activity is turning up well in advance of the Budget, and it also suggests that the worst is now past in industrialists' plans for both capital investment and taking on more labour.

But it is still likely to be some time before both the capital and employment has risen since they were last interviewed for months ago.

As stockbuilding commences in some sectors, however, there are already certain worries being expressed about current liquidity. However, more confidence is being shown about the trend of profit margins in general over the next 12 months, particularly by the construction and building and food, drink and tobacco sectors.

One potentially worrying aspect of the survey is that, despite the continuing improvement in confidence over the inflation battle, companies are still expecting the median price increase in the next 12 months to be in double figures. This is before allowing for the added effects of last week's slide in sterling.

The changed climate is brought out both in the four-month moving average for the entire sample of British industrialists, and in the particular sectors surveyed in depth this month: building and construction, food and tobacco, and clothing.

In all these sectors the percentage of firms working at or above planned capacity levels

Details, Page 30

EARNINGS ON CAPITAL

4 monthly moving total March 1976

| Those expecting earnings during current year to: | Dec. Mar. | Nov. Feb. | Oct. Jan. | Sept. Dec. | Constrn. & Bldg. | Food & Tobacco | Clothing & Textiles |
|--|-----------|-----------|-----------|------------|------------------|----------------|---------------------|
| Improve | 41 | 37 | 25 | 27 | 47 | 46 | 73 |
| Remain the same | 34 | 14 | 19 | 24 | 46 | 52 | 12 |
| Contract | 15 | 31 | 40 | 49 | — | 2 | 15 |
| No comment | 10 | 18 | 16 | 10 | 7 | — | — |

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Suspense in currency markets

BY ANTHONY HARRIS

ANOTHER NERVOUS period in the exchange markets is expected by dealers ahead of the Budget, especially after the experience of Friday when relatively light selling caused a sharp drop in sterling.

The market believes the authorities are reluctant to commit any sizable funds to supporting the exchange rate after the loss of more than \$1bn. from the reserves during March when a large holder is believed to have switched out of sterling.

While the end of the Leyland strikes and the probable election of Mr. Callaghan as Prime Minister are encouraging factors, the German and Japanese—now recovering strongly against a backdrop of improving internal balances, such a policy is bound to make sterling relatively attractive.

The continuing debate in Whitehall about whether the £ has been excessive, or whether in fact it is desirable for competitive reasons, has also aroused strong suspicions that without limits further drops in the rate would not only be permitted but in some official quarters welcomed. Such doubts are bound to exist until Mr. Healey has clarified official policy.

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The Patent men's case and EEC: deep water ahead

BY JUSTINIAN

THERE HAVE been periods in our island history disfigured by acute xenophobia. But contemporary Britain has displayed a conspicuous effort to put aside feelings of hostility towards foreigners. The Race Relations Act of 1968 specifically outlaws discriminatory practices on the grounds of a person's national origins. Parliament, however, did not proscribe discrimination on the grounds of nationality, no doubt aware that dotted around the statute book, there are provisions that disadvantage the alien both at the gate and in our midst.

A recent ruling by the Comptroller of the Patent Office has, however, brought home forcibly that one of the consequences of our membership of the EEC is that those nationals of Common Market countries seeking employment in this country cannot be debarred from their chosen occupation because Parliament has provided that only British subjects may qualify. Statutory rights are provided in 1964 under the Patent Act to provide that the Chartered Institute of Patent Agents cannot accept, as a candidate for the examination to become a patent agent, any person who cannot establish that he is a British subject or a citizen of the Republic of Ireland. Accordingly, when the citizen of the Federal Republic of Germany applied in 1975 to sit the Institute's examination, the Registrar of Patent Agents declined to accept his candidature.

Security

Nationality restrictions in relation to patent agents were first introduced in 1919 because it was then thought that the profession of patent agents offered special opportunities for obtaining information of a secret kind that might adversely affect national security. Whatever justification there might be for such a policy consideration in the 1970s, the European Community law has effectively ruled out such considerations of state security as a ground for discrimination.

Quite apart from the Treaty of Rome, the U.K. has signed the European Patent Convention which is dominated by the EEC

masters of ships applying for pilotage certificates. At, for example, Liverpool or Southampton, solely on the grounds that they are not British subjects. Even if they show that their English is near perfect, and that they are entirely competent to pilot their ships into the relevant port authorities.

This means that charterers and shipowners have to pay pilotage dues each time they hire a licensed pilot at the port of entry in the U.K.

The problem of pilotage is complicated by the provisions of the Treaty of Rome stating that freedom to provide services in the field of transport are governed by special provisions dealing with transport. In so far as any matter falls within the common transport policy of the Community, the specific prohibition against discrimination on grounds of nationality are not directly applicable. The question is whether pilotage comes within the scope of the common transport policy. A resolution of the European Parliament in 1972 on a common port policy envisaged the incorporation of pilotage activities within that policy.

Certificates

Are the masters of ships who seek pilotage certificates providing, however, a service for employers so as to attract nevertheless the freedom of movement allowed generally to workers? The fact that workers are engaged in the transport services does not take them out of the provisions protecting workers coming here to work free of any prohibition on the ground of nationality. So it seems that the port authorities in this country will have to follow the example of the patent agents' authorities, by admitting masters of ships who are nationals of EEC countries to qualify for pilotage certificates. And another breach in the chauvinism of U.K. legislation will have been made.

Haug v. Comptroller of the Patent Office, February 21, 1978, a report of which will appear in the May issue of the Common Market Law Reports.

Forbidden

Article 7 of the Treaty of Rome prohibits discrimination on the grounds of nationality in implementing the economic union of the member-states. Furthermore, Article 52 extends the right of establishment of a national of one member-State in the territory of another to the exercise of a professional service. And to exercise the profession of a U.K. patent agent it is necessary to be on the Register; a prerequisite to registration is passing the professional examination. So to deny the right to sit the examination would be to deny the citizen of the Federal Republic of Germany applied in 1975 to sit the Institute's examination, the Registrar of Patent Agents declined to accept his candidature.

There is not exactly a queue of Western European nationals eager to sit the examinations of the Chartered Institute of Patent Agents, so that the ruling should not cause undue disturbance among the profession of patent agents. But the principle established by the ruling is of considerable importance and may have a direct impact upon other areas of administrative and legislative control that have a wider and more profound economic importance.

One such area is the inability at present of the masters of ships entering British ports to obtain pilotage certificates if they are not British subjects.

The combined effect of the Patent Act 1963 and the Aliens Restriction (Amendment) Act 1919 is to preclude, for example, Dutch or French

RACING

BY DOMINIC WIGAN

Red Rum to try for National again

RED RUM, who was cheered on by the vast majority in the 60,000-strong Aintree crowd and millions of television viewers, and almost succeeded in landing a third Grand National on Saturday, will be back at Liverpool in a year's time.

Donald McCain's extraordinary 11-year-old, the winner in 1973 and 1974, second in 1975 and again runner-up this time, produced his best performance of the season on Saturday when just failing to give Rag Trade 12 pound. It is no surprise that McCain is looking forward to another tilt at the prize.

Red Rum, who must now surely rank as the greatest ever chaser over the 4 miles National course and its 30 fences, is expected to go next for the Whitbread Gold Cup at Sandown, in three weeks' time. A second possible target for Mr. Noel le Mare's Quorum gelding is the Irish Distillers' Grand National at Fairyhouse. But I shall be surprised if his connections decide to send him to Ireland, where the 31-mile trip is unlikely to bring out the best in him.

Rag Trade, whose victory was owed primarily to those four invaluable commodities here, game, stamina, jumping ability and luck in running, is another who could go for the Irish Grand National, in which Prolan (brought down when going well at Bechers second time round) is a likely starter.

Owned, as was the 1963 winner, Ayla, by Mr. Teasy-Weasy, Raymond, Rag Trade is trained by Fred Rimell, the only man this century to have turned out four National winners. Rimell, who rode a good many winners for Mr. Raymond in the 1930s, was himself a National winner, the National, for which there was a record first prize this year of £37,420, won by ESB (1956). Nicolaus Silver (1961) and the 1,000 Guineas.

Soft ground at The Curragh having caused Vincent O'Brien to re-route Mallowack to Newbury for the Dubourg's Ladbrook's Craven Stakes, a fascinating race in prospect for this classic trial, which seems sure to shed some light on the 2,000 Guineas, in just over three weeks' time.

Mallowack, a third yearling for the 2,000 Guineas, will meet Dick Hern's highly-rated Buckpasser colt, Over To You, in the Craven, in addition to the Observer Gold Cup winner Take Your Place and the Flindon-trained Whitehead.

Sir Gordon Richards told me at the Curragh that he was particularly well in recent weeks.

SOCCER

FA CUP SEMI-FINAL

Two wingers for Wemb

BY TREVOR BAILEY

THE EAGERLY awaited meeting at Hillsborough between two of the finest four teams in the country, and arguably the best two, Manchester United and Derby County, failed to live up to expectations.

Once again, semi-finalists turned what should have been a major footballing feast into just another match, with an especially indigestible second half containing more fouls than fair.

The young Manchester side thoroughly deserved their 2-0 win, even if they were below their best. Both goals were scored by their clever, perky left-winger Hill. What was so disappointing for Derby supporters was not only the completeness of the defeat but the fact that their side can seldom have played so well, and that they also lost, meekly, and committed a high number of unpleasant fouls.

The referee, Mr. Jack Taylor, like most of their players, also had an off-day. He ignored a whole series of dubious tactics, which inevitably led to retaliation in the closing stages to the game started promisingly.

Although James was ineffective and Powell's distribution erratic, Derby showed something near their true form for about 10 minutes after that setback. There were some pleasing moves which twice nearly produced goals.

When a no-volunteer equaliser materialised, Derby lost their composure and they never regained it. Little after the interval was worth remembering. Lee substituted for Hector but James, Davies or Powell could just as well have been replaced.

Lee's first kick crippled United left-back Houston, who later repaid him with interest, but he also initiated one of the few more.

Division II for another year. Southampton can afford some summer shopping, although a forward line that boasts Gills, McCall, Channon and Osmond hardly needs much rebuilding. Under the earlier management of Ted Bates, a master at buying cheap and selling dear, Southampton quickly earned the affection of their bank manager. They have no overdraft and they make a profit. Even before the week-end, their cup run was showing a net profit of £35,000, after all expenses and bonuses.

Saturday's semi-finals at Chelsea and Hillsborough grossed a record £24,000, so Southampton will probably net another £25,000.

The first half against Crystal Palace was not so much subdued as somnolent. Channon was content to drift, and Osmond, who was unhelpful. The crunch was in the 74th minute, when Channon, an inspired Osmond, angled a 25 of Ted Bates, a master at buying cheap and selling dear, Southampton quickly earned the affection of their bank manager. They have no overdraft and they make a profit. Even before the week-end, their cup run was showing a net profit of £35,000, after all expenses and bonuses.

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TV Radio

Indicates programme in black and white.

BBC 1

7.05-7.55 a.m. Open University (UHF only). 12.45 p.m. News. 1.00-1.15 p.m. Pebble Mill. 1.45-2.00 p.m. Under Bow Bells. 2.30-2.45 p.m. Regional News. 3.00-3.15 p.m. News. 3.15-3.30 p.m. Regional News. 3.30-3.45 p.m. News. 3.45-4.00 p.m. Regional News. 4.00-4.15 p.m. News. 4.15-4.30 p.m. Regional News. 4.30-4.45 p.m. News. 4.45-5.00 p.m. Regional News. 5.00-5.15 p.m. News. 5.15-5.30 p.m. Regional News. 5.30-5.45 p.m. News. 5.45-6.00 p.m. Regional News. 6.00-6.15 p.m. News. 6.15-6.30 p.m. Regional News. 6.30-6.45 p.m. News. 6.45-7.00 p.m. Regional News. 7.00-7.15 p.m. News. 7.15-7.30 p.m. Regional News. 7.30-7.45 p.m. News. 7.45-8.00 p.m. Regional News. 8.00-8.15 p.m. News. 8.15-8.30 p.m. Regional News. 8.30-8.45 p.m. News. 8.45-9.00 p.m. Regional News. 9.00-9.15 p.m. News. 9.15-9.30 p.m. Regional News. 9.30-9.45 p.m. News. 9.45-10.00 p.m. Regional News. 10.00-10.15 p.m. News. 10.15-10.30 p.m. Regional News. 10.30-10.45 p.m. News. 10.45-11.00 p.m. Regional News. 11.00-11.15 p.m. News. 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HOME NEWS

Community approves new £7m. loan for BSC

BY RHYS DAVID

A FURTHER £7m. loan is to be made available by the EEC to the British Steel Corporation's investment programme, bringing total loans approved for the industry since Britain joined the Community to nearly £400m.

The latest loan, which was disclosed in Brussels at the week-end, will help finance blast furnace development at the BSC's Port Talbot works in South Wales. It comes just over a week after the announcement of a £150m. loan towards the cost of the corporation's major investment programme at Redcar and South Teesside—the biggest loan ever made by the Community under the European Coal and Steel Community treaty.

The European Commission has

also approved the corporation acquiring Walter Blume, a German steel merchant company in Stuttgart. The BSC is hoping the acquisition will enable it to increase its sales within the important German market. The deal first had to be cleared, however, by the Commission, which is charged under Common Market rules with ensuring that companies do not achieve dominant market positions as a result of the acquisition of other concerns.

The new loan also adds to the already significant amounts of money which the EEC has made available towards regional development in Wales. Out of a total of more than £150m. in grants and loans announced for Wales, the BSC will be receiving £47m. for various modernisation

schemes, and the National Coal Board £20m.

Other loans at favourable rates of interest include £20m. towards the cost of a steel mini-mill which GKN is building in Cardiff, and £17.5m. from the European Investment Bank to help the Post Office extend telecommunications network in Wales and the surrounding areas. Similar sums have been advanced under the EEC Regional Development Fund towards the cost of the advance factory programme and towards local authority infrastructure schemes.

The £400m. total of loans which the BSC has now raised under the EEC treaty, together with the £150m. which it has also been granted by the European Investment Bank, represent more than a quarter of the corporation's total outside indebtedness, second only to public dividend capital from the U.K. Treasury, which is now being restricted.

Baring link with investment group

BY KEITH LEWIS

BARING BROTHERS, the merchant bankers, are joining with City investment group Henderson Management to act as principal partners in a new Hong Kong company, Henderson BSM Management.

The new company, which has as its shareholders Henderson Mackay (50 per cent.), Baring Brothers (40 per cent.), and Henderson Sanwa International (10 per cent.), is expected to provide the bulk of the business. The managing director of Henderson BSM Management is Mr. John D. Bolsover, who is also the managing director of the fund's outside market. The fund will start with subscriptions of between

US\$2-3m. from clients of the shareholders, though the main City investment group Henderson Management is expected to subscribe a US\$5,000,000.

Henderson BSM Management will also offer investment management services to local corporate customers and to the wealthier private individuals. Pension funds and insurance companies are expected to provide the bulk of the business. The managing director of Henderson BSM Management is Mr. John D. Bolsover, who is also the managing director of the fund's outside market. The fund will start with subscriptions of between

ELANDRAND GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)

Notice is hereby given that a general meeting of members of Elandrand Gold Mining Company Limited will be held at 44 Main Street, Johannesburg, on Wednesday, 28th April 1976, at 11h 45 for the purpose of considering and, if deemed fit, passing with or without modification the following resolution as a special resolution:

"That, subject to confirmation by the Supreme Court, the share premium account of the company amounting to the sum of R56 116 244.45 is hereby eliminated and that such sum be transferred to an account to be styled Capital Reserve, and that application be made to the Supreme Court of South Africa (Witwatersrand Local Division) for confirmation of the aforesaid elimination of the share premium account of the company, and that any one of the directors of the company is authorised to take such action and to sign all such documents as may be necessary for that purpose."

Reason for and effect of the special resolution

The annual duty payable by the company in terms of section 174 of the Companies Act, 1973, as amended, is calculated at the rate of two rand and fifty cents per each ten thousand rand or part thereof of the issued share capital of the company plus its share premium account. The proposed special resolution will eliminate the share premium account and transfer the amount thereof to capital reserve, thereby reducing the company's liability for annual duty. The step is a reduction of capital in terms of the Act, and accordingly requires confirmation by the Supreme Court. Application to the Court will be made within sixty days of the passing of the special resolution.

The head office and United Kingdom transfer registers and registers of members of the company will be closed from 21st to 28th April 1976, both days inclusive.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the company.

A form of proxy, which sets out the relevant instructions for its completion, is enclosed for the use of members who wish to be represented at the meeting.

5th April 1976

By order of the board
Anglo American Corporation of South Africa Limited
per: J. E. TOWNSEND
44 Main Street, Johannesburg 2001
P.O. Box 61587
Marshfield 2107
EC1P 1AJ

FREE STATE SAAPLAAS GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)

Notice is hereby given that a general meeting of members of Free State Saaplaas Gold Mining Company Limited will be held at 44 Main Street, Johannesburg, on Wednesday, 28th April 1976, at 10h 35 for the purpose of considering and, if deemed fit, passing with or without modification the following resolution as a special resolution:

"That, subject to confirmation by the Supreme Court, the share premium account of the company amounting to the sum of R21 080 000.00 is hereby eliminated and that such sum be transferred to the Capital Reserve account of the company, and that application be made to the Supreme Court of South Africa (Witwatersrand Local Division) for confirmation of the aforesaid elimination of the share premium account of the company, and that any one of the directors of the company is authorised to take such action and to sign all such documents as may be necessary for that purpose."

Reason for and effect of the special resolution

The annual duty payable by the company in terms of section 174 of the Companies Act, 1973, as amended, is calculated at the rate of two rand and fifty cents per each ten thousand rand or part thereof of the issued share capital of the company plus its share premium account. The proposed special resolution will eliminate the share premium account and transfer the amount thereof to capital reserve, thereby reducing the company's liability for annual duty. The step is a reduction of capital in terms of the Act, and accordingly requires confirmation by the Supreme Court. Application to the Court will be made within sixty days of the passing of the special resolution.

The head office and United Kingdom transfer registers and registers of members of the company will be closed from 21st to 28th April 1976, both days inclusive.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the company.

A form of proxy, which sets out the relevant instructions for its completion, is enclosed for the use of members who wish to be represented at the meeting.

5th April 1976

By order of the board
Anglo American Corporation of South Africa Limited
per: J. E. TOWNSEND
44 Main Street, Johannesburg 2001
P.O. Box 61587
Marshfield 2107
EC1P 1AJ

VAAL REEFS EXPLORATION AND MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)

Notice is hereby given that a general meeting of members of Vaal Reefs Exploration and Mining Company Limited will be held at 44 Main Street, Johannesburg, on Wednesday, 28th April 1976, at 11h 10 for the purpose of considering and, if deemed fit, passing with or without modification the following resolution as a special resolution:

"That, subject to confirmation by the Supreme Court, the share premium account of the company amounting to the sum of R41 878 472.55 is hereby eliminated and that such sum be transferred to the Capital Reserve account of the company, and that application be made to the Supreme Court of South Africa (Witwatersrand Local Division) for confirmation of the aforesaid elimination of the share premium account of the company, and that any one of the directors of the company is authorised to take such action and to sign all such documents as may be necessary for that purpose."

Reason for and effect of the special resolution

The annual duty payable by the company in terms of section 174 of the Companies Act, 1973, as amended, is calculated at the rate of two rand and fifty cents per each ten thousand rand or part thereof of the issued share capital of the company plus its share premium account. The proposed special resolution will eliminate the share premium account and transfer the amount thereof to capital reserve, thereby reducing the company's liability for annual duty. The step is a reduction of capital in terms of the Act, and accordingly requires confirmation by the Supreme Court. Application to the Court will be made within sixty days of the passing of the special resolution.

The head office and United Kingdom transfer registers and registers of members of the company will be closed from 21st to 28th April 1976, both days inclusive.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the company.

A form of proxy, which sets out the relevant instructions for its completion, is enclosed for the use of members who wish to be represented at the meeting.

5th April 1976

By order of the board
Anglo American Corporation of South Africa Limited
per: J. E. TOWNSEND
44 Main Street, Johannesburg 2001
P.O. Box 61587
Marshfield 2107
EC1P 1AJ

Paris to Caracas by Concorde this week

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

CONCORDE'S global route network will be expanded significantly on Friday when Air France starts a once-weekly service to Caracas, via Rio de Janeiro and the Azores. The supersonic airliner will leave Charles de Gaulle Airport, Paris, every Friday at 1900 local time, arriving in Caracas at 1900 local time after a flight of six hours, compared with the 11 hours taken by subsonic jets for the journey.

Subject to Government approval, the first-class return fare for the journey will be £906, which is the normal first-class rate plus a 20 per cent. surcharge. Air France is now reporting a substantially increased load factor on its existing flights between Paris and Rio de Janeiro, with the 11-hour journey taken by subsonic jets for the journey.

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Mr. Terry Walker, Labour MP for Kingswood, said: "The fact that Air France is now taking Concorde to the U.S. will either have to buy them or build their own equivalent — and that is exactly what is happening."

He also said that once we have the Concorde, we will have to put the boot in the Anglo-French connection.

Tory tactics on aerospace Bill irresponsible

BY MICHAEL DONNE

A SHARP attack on the Opposition's tactics against the Aircraft and Shipbuilding Industries Nationalisation Bill was delivered over the week-end by Mr. Gerald Kaufman, Minister of State for Industry. They reached new heights of irresponsibility.

Mr. Kaufman said that the Opposition had been told a "meeting in Manchester" that the Opposition had voted to exclude from the Bill "the vital clause which makes up to 250m. available on special terms for new aircraft projects."

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Not enough design engineers in Britain

By Michael Dixon, Education Correspondent

FURTHER DOUBTS about British engineering education are raised by a Design Council booklet, published yesterday, which suggests that present courses concentrate too much on research aspects of engineering at the expense of design.

While the U.K.'s employment of engineers and scientists in research is equivalent to that of the other EEC countries, the U.K. has only one-sixth of the number that these countries employ between the laboratory and the market place.

At a bachelor-degree level, engineering education has a pre-occupation with theory and analysis at the expense of practice and synthesis, and the booklet proposes that this should be corrected by changing the degree courses so that 18-20 per cent. of them is given to the study and practice of design.

Engineering Design Education Design Council, 50p.

Cuts in education were deployed at the week-end by Mr. John Gray, senior vice-president of the National Union of Teachers.

"Until North Sea oil starts to flow, Britain cannot count itself a country rich in natural resources. The brainpower of our people, and when education cuts are made, these are cut-backs in investment in the future of our country," he told teachers in Oxfordshire.

Thatcher backs Joseph approach

MRS. MARGARET THATCHER, leader of the Opposition, gives her backing to Sir Keith Joseph's view that inflationary demand policies will not cure unemployment.

Mrs. Thatcher states: "It is now widely realised that many of our present economic ills stem from a cardinal error, the belief that inflation and unemployment presented a choice of evils. We have learned to our cost that inflationary measures designed in good faith to abate unemployment have eventually intensified it, leaving us with the worst of both worlds."

The booklet, *Monetarism is not enough*, republished a lecture by Sir Keith given earlier this year.

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State industry loan 'need credit back'

BY OUR INDUSTRIAL STAFF

A NEW SYSTEM of financing the nationalised industries, which would be related much more closely to their ability to make an adequate return on capital, is suggested in the latest issue of Lloyd's Bank Review.

Mr. John Redwood, a Fellow of All Souls, Oxford, writing in the review, suggests loan stock should be secured against the assets of the nationalised industries themselves and not against the Treasury's powers to borrow. As such, the money would be raised on a credit rating reflecting the industry's own standing and not the Government's.

He also advocates that the offer document should clearly state the purposes for which the money would be used and the rate of return to be generated.

"The nationalised industries would then, like any other industry, be able to gauge the best time to come to the market for raising money and would have to go through budgeting exercises to see whether or not the money could be productively used."

"Theoretically it would not be possible for a nationalised industry to borrow at 12-14 per cent. money which was going to earn a rate of return of say less than 10 per cent.," he states.

Mr. Redwood also changes leading to a more effective use of resources into the nationalised industries, which they are providing a choice for consumers.

Problems would arise of the effect on the market-oriented period of three or four years, which they are providing a choice for consumers.

Mr. Redwood says they should be granted a much greater degree of freedom over pricing policy. "The main

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What to buy if you don't buy a Leyland car.



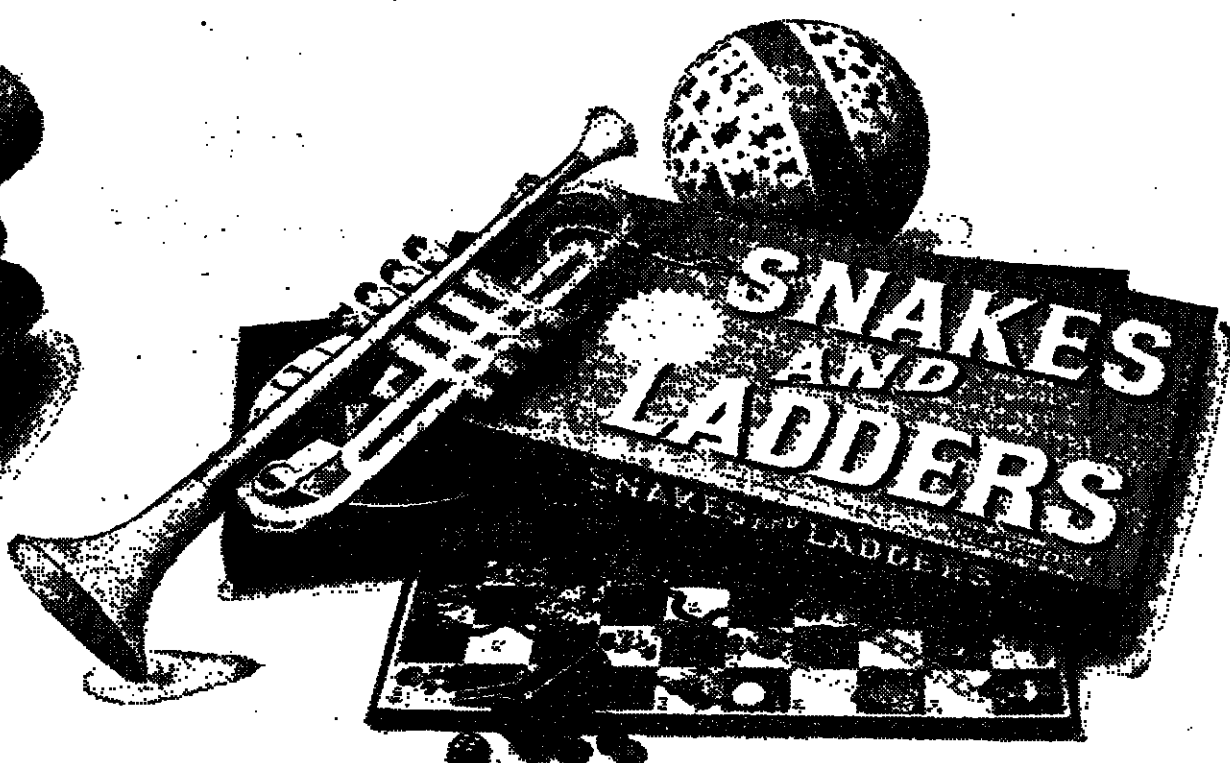
A length of stout towing rope.



A complete set of do-it-yourself repair manuals.



Thick blankets to keep Granny warm while you attempt to repair car.



Toys to entertain kids while you search for help.



For you and your wife.



Cash to pay taxis, garages, hotels, bribes and other sundries.



Transporter to bring car home.



Tissues for your hands and wife's tears.

When you buy a Leyland car, you get all the benefits of Supercover for one year absolutely free.

1. You get 24 hour on-the-spot roadside assistance from the AA.

2. And if they can't fix it on the spot, they'll transport you, your car and your family, free, to wherever you were going in the UK mainland.

3. No matter how many miles you do, your free parts and labour warranty will cover you for a full year.

4. This cover can be extended with unlimited mileage (under the Owners Service Statement) for a second year at low cost (excluding wearing parts)

5. When you buy a Leyland car, you get a signed declaration from the dealer, saying that he has carried out a thorough 69 point check-out before you drive away.

Supercover is the greatest back-up service ever offered by any British car manufacturer.

It's one more reason for choosing

from the superb Leyland range of cars.

At Leyland, we care as much about our customers as we care about our cars. Ask your dealer.

Leyland Cars



SUPERCOVER

Even if you never need it, it's good to know you've got it.

Audio-visual aids can help management-employee communications. Roy Levine reports

The message goes on screen

OVER THE past few years, many managers have recognised the need to communicate more effectively with employees. The message may be to alleviate nervousness about employment prospects, or explain significant changes in legislation, or to show that they are aware of the call by employees and trades unions for more information. Annual reports for employees, explaining the financial results in layman's language, have become common. So, too, have internal newspapers to inform employees what is happening in their company.

The drawback, though, is that reports and newspapers are discretionary reading. If management wants to make sure that a message has been understood, a more explicit exercise may be needed.

For this reason, companies are beginning to use techniques long used for training—such as tape cassettes, slides or films—to reach all their employees with a specific message. Small groups of staff are given a special presentation after which they can ask questions.

In one case—Gestetner—the company newspaper was regarded as too impersonal to reach the widening gap between the London head office and the U.K. sales organisation and its 50 regional offices. So it experimented with tape cassettes.

Each month, Mr. Denis Lowry, the general manager, records a tape giving his comments on the previous month's sales figures, what he expects for the current month and which products he thinks ought to be selling well. He also adds general comments about the company's markets and the economy and then introduces a light note about some company personalities. This is followed by social notes on staff by the training manager, including birthdays and engagements, interspersed with music.

The tape lasts between 30 minutes and an hour and is played at the monthly staff meetings. Any comments are reported to Mr. Lowry by branch managers.

The company has its own recording equipment costing £500 to prepare the master tape and about 50 tape recorders costing around £30 each. Copies of tapes are made by an outside record-

ing firm and the cost is about £50 for each edition.

There are two types of video tapes a company can use—slides or film. Marks and Spencer use slides with taped commentary to communicate company policy to its employees at its 252 stores. Each store has its own cinema, projector, and library of slide shows. These include an explanation of the annual financial results, dealing with customers, policy on energy conservation and quality control, and employee options.

The slide presentation (consisting of graphs showing examples of pension benefits on retirement, pictures and cartoons) together with the recorded commentary cost about £2,000 and was made by the company.

A dozen personnel managers were selected from around the U.K. and given a 1½ day course on the changes in the pension scheme, so that they were equipped to answer employees' questions.

Before the show was put on the road, the chairman wrote a

letter to each member of the pension fund explaining the gist of the pension changes and advising that everyone would have the chance to ask questions after seeing the slide presentation.

The show was seen by the bulk of staff in 300 of the regional offices and pubs within three months of its launch in early 1975. But it took another six months before staff in some of the remotest pubs were able to see the slides.

Scottish and Newcastle Breweries has been using slides for about 18 months, not only for training but also to get a specific message across to its employees.

Its biggest exercise to date was in explaining to its 17,000 full-time employees a major change in its pension fund policy. The company has always provided a non-contributory scheme over and above the State pension. But from the end of 1974 it decided that any increased benefits under the scheme would be met with a reduction in benefits at retirement age under the company's own scheme.

The company wanted to explain to its employees that they would not be any worse off even though benefits might not increase as rapidly as in the past.

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Scottish and Newcastle Breweries has been using slides for about 18 months, not only for training but also to get a specific message across to its employees.

Its biggest exercise to date was in explaining to its 17,000 full-time employees a major change in its pension fund policy. The company has always provided a non-contributory scheme over and above the State pension. But from the end of 1974 it decided that any increased benefits under the scheme would be met with a reduction in benefits at retirement age under the company's own scheme.

The company wanted to explain to its employees that they would not be any worse off even though benefits might not increase as rapidly as in the past.

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offices have these. But the films are either imported from the U.S. (for new products or a corporate message) or they are made by an independent film studio in London, with IBM's own script, staff and resident film director.

It costs as much to make one master tape as it costs Scottish and Newcastle to make dozens of audio tape cassettes.

Most of the films are for training, but over a dozen films have been made for employee communications. Mr. Eddie

sales manager gave market research figures 'explaining the demand for the service and added that staff concerned would have their jobs enlarged by being given more interesting international fares to handle.

The 10-minute film ran continuously on TV cassette players in reservation offices so that employees could watch it in one of the back rooms when they were not busy during office hours.

British Airways does not use films throughout its organisation because its 55,000 employees are too widely scattered and their working conditions vary too much, from clerks to night mechanics or air crew. But films have been widely used in its 58 sales shops to keep staff up to date, including developments on Concorde and new outlets.

The travel division spent £20,000 setting up a film studio and a similar amount on 21 cassette players. By rotating the players between branches, staff interest is maintained—if employees could watch films every day the novelty might wear off.

The effectiveness of films has been confirmed in staff surveys which show employees retain 90 per cent of facts communicated, against only 70 per cent when written bulletins were read.

Films are being used to communicate with employees not only in offices but also on the shop floor. When Alan Booth Sheet discovered earlier this year that large amounts of scrap were being wasted at its foundry in Kirtley, near Birmingham, it made a film on the premises with hired equipment costing £300, which shows how to avoid mixing incompatible scrap materials needed for recycling.

The film also shows the materials and time wasted when the wrong mixtures are made. The 900 factory workers see the film in small groups in the canteen during company time. So far, it is too early to assess results, say the company.

Last year, the Alcan Group showed all its employees a film about changes in its pension scheme. According to the company, employees saw the effort as the first time management had done something in their interest.

Another way of speaking to staff is by relaying information and social news over the company telephone line. British Steel Corporation has installed telephone answering and recording equipment costing only £5 a week at some of its plants. At Llanwern, for example, its 9,500 employees make over 2,000 calls a day from phones placed on the shop-floor, canteen and offices. News is given about production levels, the world steel industry and the club's sports events.

The pay gap widens in professions

THE EXTENT to which some salary levels in national and local government are outstripping those in private industry is highlighted in a survey published to-day on accountants and solicitors. It shows that at the upper end of the scale the difference can be as much as £2,000 and £3,500 a year for comparable jobs in the different sectors.

The survey, published by Accountancy Personnel, the employment agency group, illustrates the point by referring to the Warwickshire Area Health Authority having advertised in January and February this year for a district finance officer at a salary of £10,000, plus other benefits, whereas, in the private sector the equivalent job would command only £8,500 or so.

Then again, the Lothian Health Board offered £26,255 for a development accountant, whereas his counterpart in private industry would only be offered about £4,000. Government offices are also far more tempting for the new entrant to accountancy. A tax officer, higher grade and aged 18, would start at £1,885, rising to £2,350 with weighting and other allowances if in London, but a commercial company would pay as low as £1,800.

On the legal side, the South of England River Board was offering £7,000 for a deputy section head, conveyancing, in the opening months of 1976, which compares with an equivalent salary in the private sector of £5,500. And whereas a solicitor with a district council was being tempted with £6,000 the private sector could counter with only £3,500.

At the entrants level the experience is the same as in accountancy. An articled clerk's salary in local government would be about £1,600, compared with a range of between £850 and £1,400 in a solicitor's office.

Survey of Salaries in Accountancy and Law, Accountancy Personnel, 63-65, Moorgate, London EC2R 6BH, twice yearly, £15 per annum.

EXECUTIVE HEALTH

BY DR. DAVID C.

Dangerous allergies

IT IS believed that certain allergic reactions are due to microbes which are normally found in man and may cause no trouble in their immediate habitat. Such conditions are uncommon and not usually serious; but dangerous organisms that cause such diseases as scarlatina, not only evoke trouble at their invasion point—usually the throat—and constitutionally, but may excite allergic response in the heart and kidneys which can be so severe as to cause irreparable damage.

Other strange forms of allergy are known and doubtless many others await discovery. But one curious debilitating and sometimes very dangerous malady is bronchial asthma. As it is estimated that 1 per cent. of the adult population is affected by this malady to a greater or lesser degree, a relatively high proportion must be working in offices.

These unfortunate often have a family history of the disease and tend to be prone to some of the other allergic conditions mentioned before. They suffer from sudden difficulty in breathing, with short inspirations and prolonged wheezing expirations. Frequently the attacks occur at night, causing much distress and alarm to sufferers and relatives.

In many cases, exhaustive research may discover the specific allergens for each sufferer. Some are well-known, such as certain foods and animal hair and feathers; but the list of irritants is endless.

Attacks are sudden and always distressing, but usually not of long duration. Most dangerous is status asthmaticus when the paroxysm continues unabated.

Most allergic reactions are triggered off or exacerbated by emotional disturbance. Hospital treatment is essential. Curiously enough, in many cases, so soon as the patient is aware of this safe soma—save with an cure without any treatment!

This brings one to the vexed question of the role played by psychological factors in asthma and, indeed, in a majority of the allergic disorders. Some factors put them all down to "nerves," others to physical factors only. The answer obviously lies in an amorphous zone between the extremes.

I knew a man once who was worse and, at the time, started in infancy and was then, my last, the greatest storm for 80 years by an appallingly egotistical comfort came in.

"When beggars die no comets seen; The heavens themselves forth the death of."

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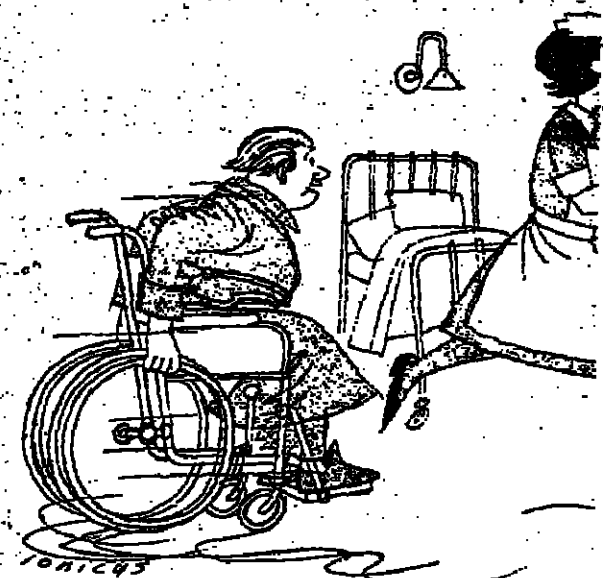
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5/4/75

IN AIRLINES

Spanish police arrest 150 in week-end demos

ROGER MATTHEWS

MADRID, April 4.

Violence broke out in Spain's main cities this week-end as police clashed with Left demonstrators in Madrid, Barcelona and the extreme north in with three bomb attacks against shops in Bilbao. At least 150 people were arrested in the week-end, more than 100 of them in Madrid last night when groups of demonstrators, up to 1,500, tried to move towards the centre in support of demands for amnesty and full political rights.

An important political rally was arrested in the bar of the luxury Palace Hotel, including the well-known economist and university professor Ramon Tamames. They were taken to a BBC television when members of the police moved in. Tamames is a senior member of the Communist-led Democratic Junta which last week formed an alliance with the main opposition grouping, the Democratic Platform which includes Socialists, Social Democrats and Christian Democrats, with several regional colleagues feared to-day that Tamames and those held in Madrid would be accused of leading the Madrid demonstration, which had been banned by the Interior Ministry and therefore face the same fate as four other opposition leaders who last week were accused of offences which carry prison sentences of up to 30 years.

Mr. Manuel Fraga, the Interior Minister, who was angered by the Communist participation in the Left-wing and Communist alliance, also appears to have changed his instructions to the police only to make arrests when a serious breakdown in law and order was threatened. Police have admitted to over 100 arrests in Madrid while Left-wing sources say the figure is much nearer 200.

Rubber bullets, tear-gas and baton charges were used against demonstrators in both Madrid and Barcelona. Police also called up water cannon in the capital where there was evidence that extreme Left-wing commands were in action smashing windows and trying to drag cars across the road to form barricades. Lengthy traffic jams built up in the centre of town with some motorists sounding their horns to the rhythm of the "Amnesty, Liberty" chant.

Between 600 and 1,000 right-wingers held an authorised demonstration near the port area and dispersed after singing their battle hymn "Face to the Sun," chanting "Franco Franco" and calling for the return of General Franco, former head of the paramilitary Guardia Civil, now in retirement.

Finnish sea lanes blocked by strikes

LANCE KEYWORTH

HELSINKI, April 4.

SEA lanes to and from Finland are totally blocked by Finnish and foreign merchant shipping. This follows a strike by 4,000 stevedores on day to join a week-old strike of 900 seamen in dispute over pay and compensation for long unsocial hours.

The strike has already hit some ships and, with 250 Finnish still abroad, more will fall as they sail back.

Two strikes have had a serious effect on Finnish exports, particularly forestry and pulp, which have been trying months to recover from a

Warehouses are now full and unless the industry can meet slowly increasing new orders and move some stocks to storages in Europe, mills may have to close completely. The situation will be critical if the strike continues through the coming week. At present there is no sign of a solution.

The only "escape" route left apart from air freight for less bulky goods is the long and expensive road and/or rail journey up the west coast of Finland and across the tip of the Gulf of Bothnia into Sweden.

Leakage crews were due to join the other shipping branch strikers on April 2, but decided at the last minute to put the state arbitrator's compromise proposals to a ballot.

Portugal campaign starts

PAUL ELLMAN

LISBON, April 4.

IGNING in Portugal's free parliamentary elections of a century kicked off today on a relatively quiet note compared to the busy week marked the year ago to the constituent assembly.

There was nevertheless a off by the death of two ngers over the week-end by a trap bomb ed in a car in which they travelling in the northern of Vila Real. The dead Maximiliano de Sousa, a old former Catholic suspended from his duties to joined the revolutionary Popular Democratic (UDP), and a 19-year-old companion. Fourteen are putting up candidates legislative assembly.

Military leadership, in the of the revolutionary command issued a warning articles could be deprived a right to air time on the and television if they com- excesses in their cam- ing. The military leader- as let it be known that

It is concerned at the prospect of the campaign degenerating into violence and has attempted to secure guarantees from party leaders that they will keep the temperature as cool as possible.

Prospects for this are unlikely to be improved by the publication here over the week-end of opinion polls which show that the socialists, the biggest party in the last year's constituent assembly election, are currently running level with the Popular Democrats (PPD), who came second last time, both with 30 per cent.

The polls indicated that around 50 per cent of the electorate is still undecided as to its loyalties, a factor pointed to in a poll conducted by the socialist party itself recently.

Reuter adds: A powerful bomb exploded outside a football ground in Coimbra to-day where the conservative Centre Democratic Party (CDS) were holding a rally as campaigning officially started for this month's parliamentary elections. The plastic explosive placed in the stadium's car park destroyed two cars but caused no injuries, police said.

Teamsters win demands

of the major demands of the Teamsters Union in a new contract initiated over the id, which covers some truck drivers and other outage personnel, writes Jonqueres in New York.

contract which has still to ed by the rank and file a 70 per cent wage in- spread over three years, previous ceiling on living adjustments and

awards improvements in health and safety conditions.

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Pro-Chou demo

HUGE CROWDS shuffled through Peking's Tian An Men Square yesterday in a large-scale demonstration of support for the moderate policies of the late Premier Chou En-lai, reports Reuter from Peking.

The scenes appeared as a thinly-disguised backlash against the current radical-inspired campaign to discredit alleged rightists, including Vice-Premier Teng Hsiao-ping. Observers said it reflected the continuing struggle within the Chinese leadership that started with Chou's death from cancer last January.

Setback to Schmidt in Baden vote

By Adrian Dicks

BONN, April 4.

BOTH parties in the ruling West German coalition suffered a sharp loss in public esteem to-night, after voters in Baden-Wuerttemberg returned the Christian Democrats to power in the state with an enlarged majority.

With final returns not yet available, a computer projection late to-night gave the CDU a 4 per cent increase in the popular vote from 52.9 to 56.8 per cent, equivalent to an increase from 66 to 70 seats in the 120 member state assembly.

Chancellor Helmut Schmidt's Social Democrats lost about 4.4 per cent, ending up with 33.2 per cent of the popular vote or 41 seats.

Herr Helmut Kohl, national leader of the CDU, described the result as a triumph and an excellent portent for the October general election. Herr Kohl will now gain weight politically as an opponent to the Chancellor, although immediate credit properly belongs to the more conservative Baden-Wuerttemberg State premier Herr Hans Filbinger.

There was no immediate comment to-night from either Herr Schmidt or Herr Willi Brandt, the SPD Chairman. The deputy party chairman, Herr Hans Koschnick, played down the Baden-Wuerttemberg result as being due largely to the unfavourable economic situation earlier this year. A particular blow to the SPD, however, was that its strength apparently shrunk even more in larger towns than in the State as a whole.

The Free Democrats, junior partner in the Bonn coalition, were left with some 7.8 per cent of the popular vote and nine seats. This is a severe setback to their hopes of increasing their strength; their support in the historically strongly liberal State is now barely half what it was only eight years ago.

Lebanese leaders still split on Presidency

BY HSAN HIJAZI

BEIRUT, April 4.

ATTEMPTS to find a political solution to Lebanon's year-old crisis have continued to move in a vicious circle, as profound disagreement persisted among the country's Moslem and Christian leaders.

The unsupervised ten-day truce which went into effect on Friday is still shaken by sporadic fighting, kidnapping, murder and a new wave of looting.

Left-wing and Moslem forces on Friday night occupied the strategic mountain village of Ain Toubal from where they could threaten Bikfaya, the hometown of Pierre Gemayel, the leader of the country's largest Christian political and para-military organisation, the Phalangist party.

The official death toll since the ceasefire went into effect is given at over 100. The victims include 20 mentally unbalanced patients who had been kidnapped from the Asfouriyah hospital located in Beirut's predominantly Christian suburb of Hammiah. Their bullet-riddled bodies were recovered yesterday at the nearby town of Baabda.

The state of lawlessness has been the main obstacle to having the 99-seat unicameral parliament meet in preparation for the election of a new head of state to succeed President Suleiman Franjieh. The left and Moslem forces under Mr. Kamal Jumblatt had agreed to the short truce with the condition that a new president would be elected by the specified deadline. "It would take a miracle to fulfil this on time," parliamentary chiefs have said.

Informed sources said the main problem lay in the absence of a consensus on a successor to

back on its feet. Some leaders reportedly proposed a combined Arab and United Nations force, but the majority favoured Syrian intervention.

The paradox in the American role is that while basically approving Syrian mediation the U.S. opposes Syrian military intervention.

Certain diplomatic sources are inclined to believe that Washington wants Syria to agree to extend the mandate of UN forces in the Golan Heights before the U.S. could give Damascus the go-ahead signal to send forces in Lebanon. Washington's argument, the sources maintained, is that the extension of the Golan mandate, which is due to expire at the end of next month, would alleviate Israeli fears regarding Syrian military intentions in Lebanon.

According to reliable sources, Mr. Brown has been trying to assess what kind of outside aid there should be to help Lebanon.

Sadat calls on Franjieh to resign

BY ROBERT MAUTHNER

PARIS, April 4.

PRESIDENT ANWAR SADAT of Egypt, who arrived here yesterday for talks with President Giscard d'Estaing on long-term arms co-operation between the two countries, today appealed to President Franjieh of Lebanon to resign as a first step towards a settlement of the Lebanese crisis.

Speaking to journalists, Mr. Sadat said there were times when a head of State was obliged to swallow his pride for the good of his people.

In this context, the Egyptian President said that he would strongly support any new French initiative for solving the Lebanese crisis and that he had suggested to President Giscard that Mr. Maurice Couve de Murville, the former French Foreign Minister, should be sent on a new mediating mission to the Lebanon. This, he thought, National Television, the king referred specifically to the Hawk anti-missile system. "He has had talks with the U.S. Administration

which, he said, was largely responsible for the serious situation that had arisen in the country.

"Not only has Syria not been able to find a solution to the crisis, but it has supplied both sides with arms."

Addressing the members of the Egyptian community in Paris earlier in the day, the Egyptian President announced that, following the recent abrogation by Egypt of its friendship and co-operation treaty with the Soviet Union, his Government had now terminated the right of Soviet warships to use Egyptian port facilities.

Mr. Sadat also confirmed that co-operation agreements with France for the creation of an Egyptian arms industry, to be financed mainly by Saudi Arabia and a number of Gulf states, would be concluded in the near future. France had shown a great deal of understanding in this area, he said. It is understood, however, that a number of details regarding France's participation in the venture still remain to be settled. M. Giscard is known to have insisted strongly on firm Egyptian financial guarantees and assurances that contracts with French personnel will be respected.

Although the Egyptian President said that he had not discussed any specific arms purchases with his French hosts, he pointed out that some agreements with France had already been concluded and that other deals were in the offing.

Mr. Sadat was clearly referring to orders for 40 French Mirage F-1 fighter bombers and 100 Alpha Jet trainers and ground support planes which the French agreed to supply in principle during the recent visit to France of General Gamassi, the Egyptian Defence Minister.

Saudis 'slow to pay'

BY JUREK MARTIN

NEW YORK, April 4.

KING HUSSEIN OF JORDAN implied today that he was having problems in getting Saudi Arabia to help Jordan purchase American arms. Interviewed on National Television, the king referred specifically to the Hawk anti-missile system. "He has had talks with the U.S. Administration

Kukrit loses Thailand election

BANGKOK, April 4.

MILITARY voters, annoyed at Prime Minister Kukrit Pramoj's order for an American troop withdrawal, turned the Thai leader out of office to-day. The defeat for the 64-year-old former journalist will force Thailand's parliament to choose a new Prime Minister when it meets on April 15.

Kukrit came fourth in a Bangkok constituency which elects three members of parliament. Incomplete returns late on Sunday night showed he lost by about 900 votes. He was a consensus Prime Minister who rose from leader to one of the smallest parties in parliament to leader of a 16-party coalition Government just over a year ago.

His defeat was the only major surprise as first returns trickled in to-day, mostly from Bangkok constituencies. As expected, the Democrat Party of his opposition brother Seni Pramoj gained a majority of seats in Bangkok.

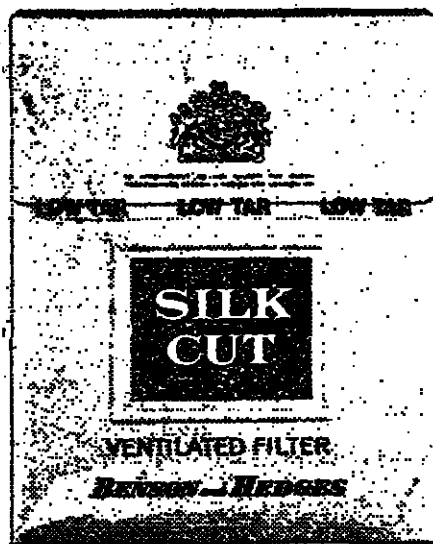
Seni may emerge as Prime Minister. He served briefly as premier last year, but his government fell apart and Kukrit, leader of the social action party, was tapped for the job.

Kukrit ordered all U.S. troops but 270 advisers out of Thailand on March 20, when American officials refused to place all their servicemen under full Thai jurisdiction.

A loose coalition of the military, Right-wing groups and former employees at U.S. bases apparently combined to defeat the Prime Minister.

Military voters in Bangkok's Dusit constituency, which has a large population of servicemen, turned out in force and were the deciding factor in Kukrit's downfall. (UPI)

COMPARED WITH CERTAIN EXTRA MILD CIGARETTES, SILK CUT ARE IN A DIFFERENT LEAGUE.



LOW TAR.*

Silk Cut Number 3.

Silk Cut Number 1.

Silk Cut Regular.

Silk Cut Extra Mild.

Silk Cut King Size.

Silk Cut International.

LOW TO MIDDLE TAR.*

Embassy Extra Mild King Size.

Embassy Extra Mild.

Player's No. 10 Extra Mild.

Sovereign Extra Mild.

For the full list of cigarettes defined as Low Tar, see the Government Tar & Nicotine Yield table.

*As defined by H.M. Government.

LOW TAR (Silk Cut) As defined by H.M. Government LOW TO MIDDLE TAR (Embassy Extra Mild King Size, Embassy Extra Mild, Player's No. 10 Extra Mild, Sovereign Extra Mild.) EVERY PACKET CARRIES A GOVERNMENT HEALTH WARNING

Catch the 11.25 to Vienna any morning.

AUSTRIAN AIRLINES

VIDEO MEDIA

A Financial Times Survey

The Financial Times proposes to publish on April 13th a major survey on Video Media which will examine the most important aspects of this growth industry. The proposed editorial content will include coverage of the following:

Video Discs. Behind the misleading claims, video discs offer serious marketing and technical advantages as a medium of communication and entertainment. This article explains why and anticipates future trends.

Video technologies for information storage and retrieval. After microfilm, newer technologies are emerging with even greater capacity for storing information—videotape, video discs and holographic systems that might even be linked to computer control and video display.

The impact on publishing. With the promise of one video disc containing thousands of "colour" photographs, retrievable on a button and costing less to press than the postage of a paperback book, the publishing industry is in for some changes. Many companies are already active in video publishing.

Videocassettes. The videocassette is now established as a communications tool and a new leisure product for the home. Its growth has been slow but steady.

Video systems as a working tool. A guide to what is available, what it does and doesn't do, how much it costs, and how various equipment may integrate as a total system.

Duplicating video programmes. As new methods of recording and replaying moving images have emerged, so too have new systems for duplicating them economically. The various methods—such as high speed ideotype duplication, tape-to-tape transfer—and the new opportunities offered by video disc duplication.

The grammar of the video media. As the new video media have made the production of moving pictures accessible to anyone, a danger arises of a novel form of illiteracy: the inability to express oneself clearly with the video camera. This article outlines some of the elements which comprise the grammar of video, explaining why its mastery is important to modern man.

his survey has been timed to coincide with video disc '76, the world's first international conference on Video Media. So if your company has an interest in the Video Media field or wishes to address it at this time an advertisement in this survey will enable your message to be heard... and acted upon by other companies and their senior executives who will be interested to read about your company's skills, achievements and specialist abilities.

If the information you require about the survey's content and advertising data may be obtained by telephoning Suzanne Ralph of the Financial Times on 01-248 8000, extension 01.

VIDEO MEDIA

An FT survey scheduled for publication on April 13th 1976

The contents and publication date of this survey are subject to complete editorial discretion and may be changed without notice.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

| Date | Title | Venue |
|------------|--|------------------------------|
| To-day | Junior Fashion Fair (cl. Apr. 8) | Horticultural Halls, S.W.1 |
| To-day | Photography at Work Exhibition (cl. Apr. 8) | Exhibition Centre, Harrogate |
| To-day | Heating, Ventilating, Air Cond. Exbn. (cl. Apr. 9) | Nat. Exbn. Centre, B'ham |
| To-day | Plastics Industries Exhibition (cl. Apr. 9) | Belle Vue, Manchester |
| Apr. 6-8 | Leatherware International Exhibition | West Centre Hotel, S.W.6 |
| Apr. 7-9 | London Fashion Fair | Earls Court |
| Apr. 8-10 | British International Fashion Fair | Nat. Exbn. Centre, B'ham |
| Apr. 8-10 | Frozen Food Exhibition | Metropole Centre, Brighton |
| Apr. 10-20 | Birmingham Motor Show | Metropole Centre, Brighton |
| Apr. 25-28 | Incentive Marketing and Sales Prom. | Belle Vue |
| Apr. 26-29 | Manchester Toy Show | Olympia |
| Apr. 26-29 | Storage, Handling and Distribution Exhibition | U.S. Trade Center, W.1 |
| Apr. 26-29 | Automotive Service Equipment and Supplies Exbn. | Olympia |
| Apr. 26-30 | Int. Fire, Security and Safety Exhibition | Nat. Exbn. Centre, B'ham |
| Apr. 27-29 | Leather and Associated Trades Show | Conard Int. Hotel, W.6 |
| Apr. 27-29 | Laboratory Equipment Exhibition | Royal Lancaster Hotel, W.2 |
| Apr. 27-29 | Industrial Dev. Exhibition and Congress | Earls Court |
| Apr. 27-30 | Int. Pipeline Eng. Exbn. and Convention | Earls Court |
| Apr. 27-30 | International Marine Exhibition | Nat. Exbn. Centre, B'ham |
| May 3-7 | Int. Instruments, Electronics and Automation Exbn. | Nat. Exbn. Centre, B'ham |
| May 3-7 | Int. Pneumatics and Hydraulics Exhibition | Nat. Exbn. Centre, B'ham |
| May 10-12 | Air Cargo Services and Equipment Exbn. | Heathrow Airport |

OVERSEAS TRADE FAIRS AND EXHIBITIONS

| Date | Title | Venue |
|---------------|---|--------------------|
| To-day | "Mexico-Europa" (cl. Apr. 11) | Rotterdam |
| Current | Women's Ready-to-Wear Clothing Ex. (cl. Apr. 7) | Paris |
| Current | Food Beverages and Machines Fair (cl. Apr. 11) | Thessaloniki |
| To-day | Electronic Components Exhibition (cl. Apr. 10) | Paris |
| To-day | British Technology for Malaysia Exbn. (cl. Apr. 12) | Kuala Lumpur |
| Apr. 6-11 | Petrotech 78 Oil and Nat. Gas Exhibition | Amsterdam |
| Apr. 6-11 | International Swedish Trade Fair | Göteborg |
| Apr. 7-11 | Building, Heating, Plumbing, Air Conditioning | Helsinki |
| Apr. 10-12 | International Exhibition of Textile Machinery | Kallang, Singapore |
| Apr. 14-23 | Fashion Fair | Hamburg |
| Apr. 14-23 | Milan Trade Fair | Milan |
| Apr. 21-23 | Int. Biennial Exbn. for Sheltered Farming | Verona |
| Apr. 22-23 | International Spring Fair | Amsterdam |
| Apr. 24-May 3 | Swiss Industries, Watch and Jewellery Fair | Basle |
| Apr. 24-May 4 | International Motor Show | Barcelona |
| Apr. 24-May 6 | International Handicraft Exhibition | Florence |
| Apr. 25-29 | Brussels Trade Fair | Brussels |
| Apr. 25-30 | International Fashion Trade Fair | Düsseldorf |
| Apr. 25-30 | International TV Programme Market | Cannes |
| Apr. 28-May 5 | Modern Technology Exhibition | Tehran |
| Apr. 28-May 6 | Hanover Fair | Hanover |
| May 1-9 | International Air Show | Hanover |
| May 1-16 | International Trade Fair | Paris |
| May 4-6 | World Tobacco Exhibition | Geneva |
| May 6-22 | New Zealand Trade Fair | Wellington |

BUSINESS AND MANAGEMENT CONFERENCES

| Date | Title | Venue |
|------------|--|------------------------------|
| Apr. 6-9 | Brunei Univ. Participation in Practice | Uxbridge, Middlesex |
| Apr. 7 | Imperial Coll. Productivity Analysis | Imperial Coll., S.W.7 |
| Apr. 7 | Operational Research: Investment Appraisal | London Graduate Schl., N.W.1 |
| Apr. 8 | Staniland Hall: The Budget, Economy and Industry | London Hilton, W.1 |
| Apr. 12 | Consumer Forum: Practice Standards | Manchester University |
| Apr. 13-15 | Nashgate (UK) Video Disc '76 | Royal Lancaster Hotel, W.2 |
| Apr. 13 | W.T. Finance of Exports | World Trade Centre, E.1 |
| Apr. 14 | Hanley Centre for Forecasting: The Budget | Carlton Tower Htl., S.W.1 |
| Apr. 14 | Timber Research: Farmbuilding in Europe | Stoneleigh, Warwickshire |
| Apr. 15 | BIM: Pension Schemes and New Act | Financial Times Cinema |
| Apr. 22 | Intubon: Disclosure of Information | Park Court Hotel, W.2 |
| Apr. 23 | Inst. of Purchasing: Contract Price Adjustment | Park Court Hotel, W.2 |
| Apr. 23 | Guardian: Contracts, Dismissals and Redundancy | Park Court Hotel, W.2 |
| Apr. 24 | Standa Univ. Patents in the Common Market | Leicester |
| Apr. 25-27 | B.T.A. Conference '76: Group Communication | Grosvenor Hse., W.1 |
| Apr. 25-28 | Seminar on Investments in Rio Grande do Sul | Brazil |
| Apr. 26-28 | MCE: Corporate Risk Man. and Self-Insurance | Brussels |
| Apr. 26-30 | P.E. Cons. Grp.: Production Management | Training Centre, Egham |
| Apr. 27-28 | Bradford Univ. Dynamic Programming | Heaton Mount, Bradford |
| Apr. 27-28 | BACIE: Training Design | 16, Park Crescent, W.2 |
| Apr. 27-29 | Northwood: Pipeline Operations | Northwood Hall, E.1 |
| Apr. 28-29 | ESC: Employee Participation in Europe | Hotel des Bergues, Geneva |
| Apr. 28-29 | Ass. Cert. Aerts: Investment Appraisal | Clifton Ford Hotel, W.1 |
| Apr. 29 | Bus. and Ind. Trg.: An Approach to Private Medicine | Cafe Royal, W.1 |
| Apr. 29-30 | Financial Times, the Banker and the Investors Chronicle: New York-World Financial Centre | Waldorf-Astoria, New York |
| Apr. 29-30 | Inv. and Prop. Studies: Man. of Foreign Currency | Inn on the Park, W.1 |
| May 4-6 | IFM: Personnel Management Conference | Royal Lancaster Hotel, W.2 |
| May 11-14 | Unwick: Business Modelling | Unwick Centre, Slough |

APPOINTMENTS

Sir Denis Barnes joins Glynwed

Sir Denis Barnes has joined the Board of GLYNWED as a non-executive director following his retirement as chairman of the Manpower Services Commission. He became the first chairman of the Commission when it was set up in January, 1974.

Mr. G. H. Pace, director of ICI's protein project, has been appointed industrial chemicals and purchasing director of ICI agricultural division. He takes over from Mr. J. J. Connolly who has left ICI after 30 years' service to become the director for the north of the National Enterprise Board. The new protein director will be Mr. P. R. King who will combine these new responsibilities with those of his current position as research and planning director of ICI agricultural division.

Mr. L. Stevens, the group managing director of POTTER, GILL AND HARVEY, has succeeded Mr. J. A. Jordan as chairman of the group. Mr. Jordan will remain as a full-time executive until October when he will be 62. Thereafter he will continue as non-executive chairman. Mr. T. Hedley Bell will shortly reach the age of 65 and retire from the Board at the end of October.

Mr. Frank Price has been appointed a director of WILLIS, FABER AND DUMAS.

Mr. John Austin has been appointed a director of HOWARD MACHINERY. He will continue to be managing director of J. Mann and Son, one of the companies of the Howard Group.

JAMES DAVIES (HOLDINGS) has appointed Mr. G. V. Monk as managing director designate for its subsidiary JAMES DAVIES (TIMBER). Mr. Monk, who has been a divisional director with Montague L. Meyer, joins James Davies from the beginning of April. This appointment frees Mr. Meyer, the present managing director, for his wider responsibilities as managing director of James Davies (Holdings).

FURNESSE-HOLDER (INSURANCE) has appointed Mr. Geoffrey Frederick Tung to the post of their subsidiary

FURNESSE-HOLDER (LIFE AND PENSIONS). Mr. Robin Gill has been appointed to the Board of ANSVAR INSURANCE GROUP. He is managing director of the Standard Industrial Trust, chairman of Bestima Industries and a director of Yarrow and Company.

The directors of WILLCOX BUILDING PRODUCTS, the new William J. Cox company are: Mr. P. J. Q. Back (chairman), Mr. P. C. Warwick (managing), Mr. K. S. P. Hills, Mr. J. J. Shannon and Mr. T. R. Wightman.

Mr. Keith Jackson, chief accountant of FELL AND BRIANT, Croydon, has been appointed finance director.

Mr. Robert Wiseman has been appointed finance director and Mr. Colin Jones, production director on the Board of LINKMAN BUILDING COMPANY whose principal operating division is Tropical Greenhouses. Mr. Wiseman was with the Industrial and Commercial Finance Corporation, and Mr. Jones with Aluminium Systems, in Sheffield. Joining the Board as non-executive directors are Mr. Roy Merrington and Mr. G. Remington Wilson.

Mr. J. E. James has been appointed finance director of WILLIAMS HUDSON GROUP.

Mr. Alastair Morton has been appointed chairman of DRAYMONT SECURITIES on taking up his appointment as a managing director of a BRITISH NATIONAL OIL CORPORATION. He has also resigned from the Boards of Head Wrightson, F. Pratt Engineering Corporation, and the Royal Ordnance Factories.

Mr. D. J. Roberts has retired as a director of COUTTS AND CO. after 44 years as a member of the Board.

Mr. Ernest Clifford Bartlett has been appointed a regional director of the Devon and Cornwall Regional Board of LLOYDS BANK.

Mr. Robert Fell, chief executive of the Stock Exchange, has been elected to the Board of MARINE

AND GENERAL MUTUAL LIFE ASSURANCE SOCIETY. Mr. Michael Sheeran has been appointed to the Board of EBRON MOTOR GROUP. He continues as its North West regional director responsible for Heron, Hollingdale in Lancashire, Cheshire and North Wales.

Mr. A. H. Jobling has been appointed a director of BELFORD INDUSTRIES. He was previously works manager.

RUBERY OWEN CONVEYANCER has appointed Mr. Gordon Eccleston as managing director of Conveyancer Pty. Australia. He has been succeeded as managing director of Conveyancer (Nigeria) by Mr. R. A. Dykes.

Mr. Frank Field, director of the United Nations Division of Great Britain and Northern Ireland, has been appointed secretary-general of the WORLD FEDERATION OF UNITED NATIONS ASSOCIATIONS in Geneva. He succeeds Mr. Horace Perera of Sri Lanka who is joining another international body.

Mr. Harry C. Smith has been appointed managing director of JATHER AND PLATT. He returned to the U.K. on his election to the group Board nearly 18 months ago, having been chairman of Mater and Platt Pty. (Australia), and became managing director of the power division of the company.

Mr. Alan Keen, general manager British Service of Rail, London, has been appointed to the Board as managing director, RADIO LUXEMBOURG (LONDO). He joined the company in 1970.

Mr. Ian Macdonald has been appointed a director of the MESSINA (TRANSVAAL) DEVELOPMENT COMPANY. Mr. E. R. Campbell has been made a director of MTD (Mangula) and of the Messina Group Rhodesian subsidiaries. Mr. E. C. Iverson has been appointed director of MTD (Mangula).

Senior management appointments have been made in several LEYLAND SPECIAL PRODUCTS companies in the East of England. Mr. Douglas E. Wilde has been appointed managing director of Goodwin Bursby asphalt plant. Mr. Wilde was previously works director of Aveling-Barford, the construction equipment subsidiary of British Leyland. Mr. Alan Wilde, previously a director and general manager of Goodwin Bursby, is joining the Special Products Group to carry out an assignment at Aveling-Barford establishments in Australia. Replacing Mr. Wilde at works director of the Devon and Cornwall Regional Board of LLOYDS BANK is Mr. R. L. Mortimer, previously a director and general manager of Scammell Trailers—another part of the Special Products Group. Taking over Mr. Wilde's duties of Scammell Trailers is Mr. Anthony J. Coppen, previously managing director of the Backer Electric Company.

LABOUR NEWS

TUC and unions differ over worker directors

BY ROY ROGERS, LABOUR CORRESPONDENT

THE OPPOSING views on industrial democracy between the TUC and several of its major affiliated unions are emphasised again today in supplementary TUC evidence to the Bullock committee on worker participation. A joint letter from four power supply industry unions to the Energy Secretary, and one union's proposals for restructuring the TUC.

In its supplementary evidence to the Bullock committee, the TUC stresses that unions should have the option of being represented by company, whether they wish to take part in a new system of 50-50 representation on supervisory Boards.

'General council should change working method'

BY OUR LABOUR CORRESPONDENT

IN THE four-union joint letter to the TUC, the Electrical Power Engineers' Association cites the TUC industrial democracy policy as an example of "major policy initiatives taken regularly by the TUC without serious discussion among and between the unions concerned."

In reply to a TUC invitation to unions to submit suggested alterations to TUC operations, the EPEA described the present decision-making machinery as inadequate.

Recommendations by the EPEA include more effective use of the annual congress by empowering the TUC General Council to handle many non-controversial items which normally take up much congress time; devolution of responsibility for many issues from the General Council committees; additional consultative procedures by the General Council; meetings of union presidents and general secretaries on specific issues; and publication of a journal on policy.

But the TUC does not believe that companies should be given the right to refuse to adopt such a structure. It urges legislation giving unions a statutory right to claim 50 per cent. representation if they so wish. Where the majority of the trade unions involved do not wish to take up that right, the workers' seats could remain unfilled.

The TUC estimates that in a very substantial number of companies workers' representatives would be appointed "very quickly," while in others there might be an initial preference to "wait and see."

Explaining why it attaches great importance to parity representation, the TUC declares it is "in order to avoid a situation of trade union representatives being given responsibility without a real share on the decision making."

"Nothing could be more damaging than having to accept responsibility if the shareholders' representatives had an entrenched majority," says the TUC. It rejects suggestions that consumers should have separate representation on Boards.

Publication of this evidence coincides with the release of the text of a letter from four electricity supply unions, opposed to TUC policy on industrial democracy, to Energy Secretary Mr. Anthony Wedgwood Benn.

In their letter, the leaders of the Electrical and Plumbing Trades Union, the National and Local Government Association, the General and Municipal Workers Union and the Electrical Power Engineers Association urge Mr. Wedgwood Benn to push ahead with implementation of the Plowden report on restructuring their industry.

APEX plea on pension funds

THE ASSOCIATION of Professional, Executive, Clerical and Computer Staff has joined the TUC and Left-wing MPs in urging the Chancellor to include provision for an immediate allocation of pension fund money into manufacturing industry in his Budget.

APEX, in a memorandum to the Chancellor, proposes that short-term funds of up to £800m. should be retained by British employers from their pension funds for investment in manufacturing industry. It is estimated that about half this money would be retained by manufacturing industry.

Mr. Roy Grantham, general secretary of APEX, said such a proposal would result in the manufacturing industry, having automatic access for the first time to part of the savings generated by its own superannuation schemes. It would considerably help industry to sustain an upward swing in the economy and reach the 8½ per cent. growth required in manufacturing output that the Government requires for the economy to be put on a growth basis.

APEX proposes in its submission that companies should initially be allowed to retain up to four months' contributions to their superannuation funds and pay interest thereon.

THE submission, produced by the Committee of London Clearing Bankers, echoes evidence given by other City bodies in questioning the assumptions apparently underlying the inquiry's terms of reference.

Though less forthright than the Stock Exchange submission published last week, the banks' evidence emphasises the need for flexibility and questions the implication that Bullock is merely required to find ways of putting employee representation into effect.

The banks say that any legislation should be in the form of an enabling Act, leaving the maximum scope for experiment and differing approaches.

WORKER REPRESENTATION on company Boards should not be confined to trade union members, the big clearing banks urged in their submission to the Bullock Committee on industrial democracy.

The banks also express anxiety over the deadlocks in decision-making that could result from 50 per cent. employee representation.

The danger that company affairs could be "paralysed" could represent "a major threat to investment in this country, particularly to inward investment from overseas, and seriously affect London's position as an international financial centre and the overseas operations of financial institutions based in London."

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ENTERTAINMENT GUIDE

| | | |
|--|---|---|
| <p>ENGLISH NATIONAL OPERA 8.36 1611 Weds. Sat. 8.30 Don. Caravan Lombard season 8.00 Don. Caravan</p> <p>ALLEGRA THEATRE, Gordon St., WC1 New 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Presenting a double bill of Les Ballets de l'Opéra de Paris. April 7, 8 & 9 to 10 at 7.30 and 9.15. April 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31 at 7.30 and 9.15.</p> <p>THE ROYAL OPERA, Covent Garden Tonight 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Tomorrow 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Wednesday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Thursday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Friday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Saturday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Sunday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15</p> <p>THE ROYAL OPERA, Covent Garden Tonight 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Tomorrow 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Wednesday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Thursday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Friday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Saturday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Sunday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15</p> <p>THE ROYAL OPERA, Covent Garden Tonight 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Tomorrow 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Wednesday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Thursday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Friday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Saturday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Sunday 7.30, 9.15, 11.15, 1.15, 3.15, 5.15</p> | <p>GREENWOOD THEATRE 01-358 7795 Evenings 8.00, Mat. Sat. 2.30 & 8.00 Bernard Shaw's RELIANT HEROES</p> <p>GREENWOOD, LONDON BRIDGE, Unltd New 7.30, 9.15, 11.15, 1.15, 3.15, 5.15 Presenting a double bill of Les Ballets de l'Opéra de Paris. April 7, 8 & 9 to 10 at 7.30 and 9.15. April 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31 at 7.30 and 9.15.</p> <p>HAYMARKET, 930 8832, Evenings 8.00, Mat. Sat. 2.30 & 8.00 Edward Woodward's RELIANT HEROES</p> <p>LYRIC IN REPERTORY, 437 5656 Evenings 8.00, Mat. Sat. 2.30 & 8.00 Presenting a double bill of Les Ballets de l'Opéra de Paris. April 7, 8 & 9 to 10 at 7.30 and 9.15. April 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31 at 7.30 and 9.15.</p> <p>LYRIC IN REPERTORY, 437 5656 Evenings 8.00, Mat. Sat. 2.30 & 8.00 Presenting a double bill of Les Ballets de l'Opéra de Paris. April 7, 8 & 9 to 10 at 7.30 and 9.15. 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Directors: Frank Hauser, George Mervin, John G. Jones, and John G. Jones. Antique of London, Director Theatre. Opening April 21, 8.00 and 10.15. Opening June 2, 8.00 and 10.15. Opening July 7, 8.00 and 10.15. Opening August 12, 8.00 and 10.15. Opening September 17, 8.00 and 10.15. Opening October 22, 8.00 and 10.15. Opening November 27, 8.00 and 10.15. Opening December 2, 8.00 and 10.15. Opening January 7, 8.00 and 10.15. Opening February 12, 8.00 and 10.15. Opening March 17, 8.00 and 10.15. Opening April 22, 8.00 and 10.15. Opening May 27, 8.00 and 10.15. Opening June 2, 8.00 and 10.15. Opening July 7, 8.00 and 10.15. Opening August 12, 8.00 and 10.15. Opening September 17, 8.00 and 10.15. Opening October 22, 8.00 and 10.15. Opening November 27, 8.00 and 10.15. Opening December 2, 8.00 and 10.15. Opening January 7, 8.00 and 10.15. Opening February 12, 8.00 and 10.15. Opening March 17, 8.00 and 10.15. Opening April 22, 8.00 and 10.15. Opening May 27, 8.00 and 10.15. 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The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

METALWORKING

Lathe machines both ends

DEVELOPED TO machine both ends of small workpieces at the same time, the Horsman Spinner DKS 50/50 double-ended automatic lathe is claimed to produce excellent concentricity and parallelism of the two ends.

A narrow headstock is mounted between two machining heads, and can be pivoted pneumatically to the adjacent loading position. The workpiece is mechanically locked in position.

Independent, simultaneous, manual or automatic operation is possible, with up to seven micrometer stops for both longitudinal and traverse movements. A wide range of tool holders and automatic loading arrangements are available. The basic machine is suitable for turning workpieces from 10 to 150 mm. long and 5 to 60 mm. dia., and spindle speeds range from 500 to 3,000 rpm.

Details from Horsman Bros. (Machine Tools), Dittons Road, Folgate, Sussex, BN26 6NE (03212 6145).

Riveting tests

PREPRODUCTION riveting runs will be carried out as a service by the Ebfurated and Tubular Rivet Company for companies who want to test this method

Powerful mining drill

THE FIRST universal hydraulic rotary percussive drill to be operated on fire-resistant fluids in the U.K. is being used at the National Coal Board's Thoresby mine, Notts.

It is an Elmco-Secoma RPH 35, supplied by Elmco (Great Britain), Earlsley, Tees Valley 4, to 40,000 psi compressive strength.

is operating on water/oil emulsion in a tunnelling project that is currently advancing at a rate of 21 yards/week. The drill is being used for driving roadways to a new seam.

The single boom, with a drill slide equipped for variable thrust and fitted with a universal rotary percussive hammer, is mounted on a crawler. The Elmco crawler is designed and the Secoma drill is French. It is claimed that the facility to change from rotary to rotary percussive drill action is unique, and that this provides an ability to drill in strata ranging from 10 to 40,000 psi compressive strength.

HEATING

Exhaust air waste heat recovery

USING THE heat pipe principle, exhaust air waste heat recovery units are being made by the Q-Dot Corp., Dallas, Texas.

A heat pipe is essentially an evacuated tube with a capillary wick structure around the internal wall, filled with a refrigerant liquid and permanently sealed. Heat applied to one end causes the liquid to vaporise and travel to the other end where it condenses giving

TELEVISION

New tube from RCA

LATEST major colour tube maker to announce the introduction of a 22 inch 110 degree precision in-line tube into the U.K. is RCA. First European showing will be by RCA's affiliate Videocolor at the Paris Electronic Components Show.

The deflection yoke and other neck components are pre-assembled on the tube and factory pre-set for the best performance. The whole tube assembly can normally be put into a receiver by set manufacturer or field serviceman without making

Ice-cream equipment sales drive

ALFA-LAVAL, Brentford, has entered the ice-cream equipment market in the U.K. The company's industrial processes division is now marketing exclusively the products and systems developed by the group subsidiary, O. G. Royer A/S, one of the world's largest ice-cream equipment manufacturers.

Two new continuous freezers are being introduced by Alfa-

Laual, and these will be incorporated with other Royer ice-cream making equipment into a product package for the U.K. food-manufacturing industry.

The KF 1150 has a nominal capacity per freezing cylinder of 800 l/h, according to temperature and composition of the mix. A second freezer, KF 1200, offers twice this capacity. Both freezers are claimed to provide higher ice-cream quality and economies in operation through manpower savings, minimal loss of mix, and speed of control systems which keep constant the degree of overrun, viscosity and output volume.

Alfa-Laval, Great West Road, Brentford, Middlesex, TW8 9BT.

any convergence or purity adjustments, thus saving costs. RCA claims that the integral tube/component construction provides reliable and stable colour, uniformity and white uniformity performance throughout tube life. Assembly consists of the PIL tube, a precision super top self-converging yoke system, and a permanent magnet purity and static convergence device. A quick-heat cathode provides typical warm-up time of 1.5 secs. to 50 per cent of full power. The system current. Overall lower consumption of the system would, states RCA, enable a receiver to be designed consuming no more than 120 watts. More from 50 Curzon Street, London W1J 8EU (01-499 4100).

CATERING

Liquid gas powers fork lift trucks

COMPACT STYLING, minimal turning circle and hydrostatic transmission are features of two gas powered trucks introduced by Bonser Engineering, Giltbrook, Nottingham, NG16 2GX (060743 3821).

The trucks use liquefied propane gas and have lifting capacities of 4400 and 5500 lbs. The gas powered engine has been developed by Bonser from a 1600 cc Ford Cortina petrol engine to simplify servicing and parts availability.

The gas bottle, which can be

PROCESSES

Controls the oil flow

A RANGE of four sizes of multi-spool sanders has been developed to control oil flows to one or more hydraulic cylinders, motors, circuits, etc. has been introduced. The six-way system is stated to offer fine control lands and negative overlapping.

A feature of the blocks is that elements can be added to existing units with a minimum of cost. These cast modular valve elements are mounted together, to a maximum of ten, to form a sandwich, and coupled with the bolts. They can be operated by hand lever, mechanical rod, or remote hydraulic, pneumatic or electrical systems. Check valves are incorporated for load holding.

DATA PROCESSING

Speeds the holiday bookings

ONE OF the reasons claimed by Horizon Midlands for its continued prosperous existence after the demise of majority shareholder Horizon Holidays in London was the use of an efficient computer system.

This was based on an IBM System 3 with 3270 terminals, but now all the terminals have been replaced with 22 display systems based on Sanders type 8171 interactive VDU's, four 18k controllers and two 18k cps printers. The latter are used for hard copy file exception reports and for back-up transaction logging in the event of system failure.

TRANSPORT

Liquid gas powers fork lift trucks

COMPACT STYLING, minimal turning circle and hydrostatic transmission are features of two gas powered trucks introduced by Bonser Engineering, Giltbrook, Nottingham, NG16 2GX (060743 3821).

The trucks use liquefied propane gas and have lifting capacities of 4400 and 5500 lbs. The gas powered engine has been developed by Bonser from a 1600 cc Ford Cortina petrol engine to simplify servicing and parts availability.

The gas bottle, which can be

the company says it is possible to create a reliable interference fit between bearing and housing with a vibration-resistant buffer between the two surfaces. This can be achieved by applying silver or tin plating to the bearing housing prior to fitting the bearing.

The process can be used to apply buffer metal selectively to the area subject to fret. Examples quoted range from large propeller shaft bearing housings, to small electric motor bearings.

When fretting has already taken place, the technique can be used to restore components. Worn bearing housings can be brought back to tolerance by plating with nickel before applying the protective tin coating. The equipment is portable and work can be carried out in situ.

Metadalic, Blackthorne Road, Poyle Trading Estate, Colnbrook, Slough SL3 0AW (Slough 8362).

Using Dalic selective plating, the machine is an integral processing and gramma loading, testing and enquiries in response to telephone calls from over 700 travel agents and the public. The programming direct from the availability of a specific holiday can be confirmed during the course of the phone call and full details of alternative flights or hotels can be displayed within seconds. Sanders Data Systems is at 51 Brick Street, London W1Y 7DU (01-489 9452).

Plating prevents fretting

METADALIC claims to have developed a technique for reducing fretting of interference surfaces subject to vibration, a problem encountered in rotor bearing applications.

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VDU can be programmed by the user

LAUNCHED on to the U.K. and European markets by Delta Data Systems is the model 4500 user-programmable visual display unit. Central to the performance of

either 15 or 18 kg capacity giving 8 or 11 hours working, has been incorporated in the profile of the truck so that it does not project and can be easily lifted into place by the operator.

With foot off, or pedal control in neutral, secondary braking is automatic. Axle width required for a "U" turn is 154 inches; steering is hydraulic. Maximum road speed is 10 mph. Lift is 120 inches.

Three-in-one lorry body

UP TO 50 per cent running costs can be saved, it is claimed, when operating vehicles with demountable bodies for loading and unloading equipment developed by Bristol Metal

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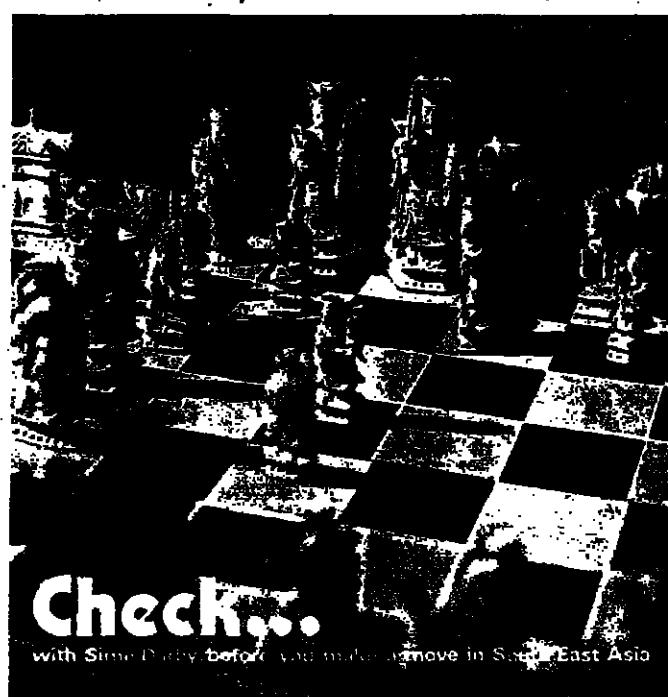
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FINANCIAL TIMES SURVEY

Monday April 5 1976

Malaysia



Four years ago, we suggested you
**"Check...with
Sime Darby before
you make a move
in South-East Asia"**

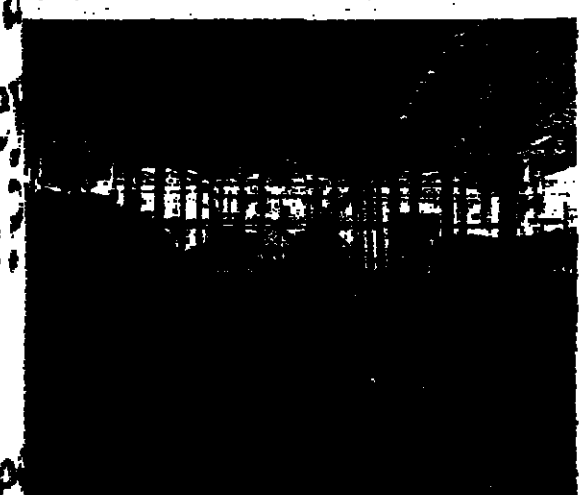
Now, it's time to check again-internationally!

Sime Darby knows as much as anyone about doing for the world in South-East Asia — and more about doing business with the world from East Asia.

Should, it's been our business for more than 40 years.

...built from a sound base in Malaysia.

Sime Darby started operations in Malacca in 1936 as a plantation management company. South-East Asia has been our territory and Malaysia and Singapore have been our bases. And in all those years we have been closely involved in growing and trading to the world key Malaysian exports — and to Malaysia some of the world's best. Both of these traditional Sime Darby have played important roles in Malaysia's development.



...built with purpose. Processing equipment designed and built by our Belgian associates, VDK, in operation in a Sime Darby palm oil mill in Malaysia.

In the plantation industry we have a strong and managed group of companies which are an agricultural base that has been the backbone of the Malaysian economy. Our growing and marketing techniques have been developed and refined over more than six decades in the field and market-place.

Our equipment, tractor and agricultural implement dealerships are dynamic and successful — those that have made Tractors Malaysia Berhad the most respected and forward-thinking company in the country — and incidentally the best Caterpillar dealership in the world.

We have also developed sound supporting activities in the general trading field, particularly with Pemas, the Malaysian national trading corporation.

We've moved strongly into other markets in Asia and around the world.

While Malaysia and Singapore have been our traditional bases, and plantations, heavy equipment and general trading were the activities on which Sime Darby was built, we have always been conscious of the potential in regional and international business growth.

Long before ASEAN was a household word in this region — or the important economic grouping of nations it is becoming today — we recognised the wealth and strength of South-East Asian nations and made it our business to be part of their development.

This took us into manufacturing, trading, distribution, insurance and shipping in Hongkong, Thailand, Indonesia and Taiwan. And this development, which has been most marked in the past 15 years, now sees the Sime Darby Group with strong food and beverage manufacturing, vehicle distribution and engineering contracting bases through Amoy Canning and China Engineers in Hongkong; Industrial products dealerships in Thailand and Taiwan; Food processing, engineering, manufacturing and trading in technical equipment, building products, commodities and industrial equipment in Singapore; Management of tractor and equipment dealership, property development, plant hire and manufacture and distribution of security equipment in Indonesia.

Nor have we limited our horizons to Asia. We have a strong link with the Indian Shaw Wallace Group, we have interests in money broking and insurance in Europe and North America and our commodities and fertiliser trading operations circle the globe.

We've recognised the value of strong, progressive partners.

Sime Darby has long been associated with an impressive range of partners and principals, who stand as testimony to our progress and potential — British Paints, Cadbury, Caterpillar, Chubb, Ford, ICI, Remy Martin, Westinghouse.

Nor have we limited our partnerships to international companies. We have established sound partnerships with Government agencies in South-East Asia, for example Pemas in Malaysia and the Development Bank of Singapore.



...Sophisticated equipment for important national development projects in Malaysia. Sime Darby has been closely linked with Caterpillar since 1928.

Furthermore, we have recognised the value of strong partnerships with people and our obligations to the countries and communities in which we work. For this reason we have put heavy emphasis on training programmes for our tradesmen and indigenous executives.

And now we're concentrating on bringing the best technologies from the West to our operations in the East.

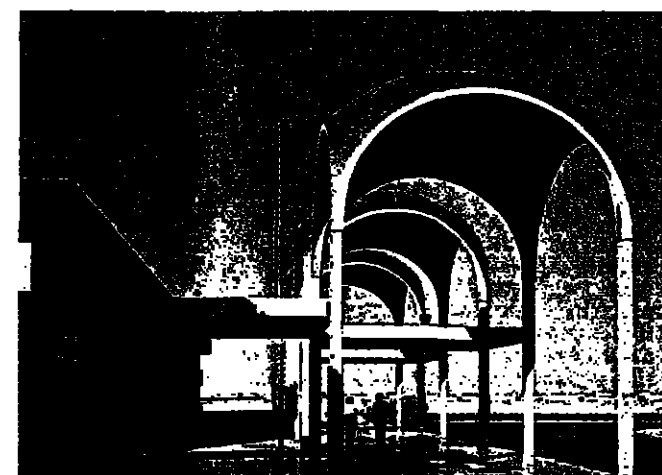
In the past five years, the Sime Darby Group has risen to a leading position in business in South-East Asia, as a result of a period of rapid and exciting growth. But this growth brought with it a need to rethink our future and plan carefully for the last quarter of the 20th century. So we have begun a phase of change as the most important result of a brief period of consolidation.

We have introduced a new management team in the parent company — a team which has brought to the Group new experience and capacity. We have broadened our base a little by acquisition and we have defined the directions in which we will move, and how we will grow.

And this movement and growth will in future come from carefully planned organic growth and acquisition in activities which fit into our established strengths or are complementary to them.

One of the major factors in our new growth will be the introduction of the best technology in the world into our areas of expertise in South-East Asia. We will seek technologies that fulfill needs, raise living standards, boost production and contribute to the further development and competitiveness of industry in South-East Asia.

Our acquisition of the Marryat and Stanley groups in the United Kingdom and our major investment in VDK of Belgium in the past few months are proof of these intentions.



...Meeting development needs internationally. The Rashid Hospital in Dubai is one of the many successful contract engineering projects undertaken in association with other British contractors by Marryat Jackson Norris, part of our new UK subsidiary, Architect: John R Harris FRIBA AA Dip(Hons).

So if the future's your business, it's time to check again with Sime Darby.

Sime Darby is a strong company, an energetic company, an enthusiastic company and an innovative company. If you value strength, energy, enthusiasm and innovation — Check with Sime Darby.

Sime Darby is a people company and a partnership company. If you recognise the advantages of sound partnerships and know the value of committed and competent people — Check with Sime Darby.

Sime Darby is a technology-conscious company. If you value technological leadership and recognise the scope for introduction of new technologies in South-East Asia — Check with Sime Darby.

Sime Darby is a company that's going places internationally. If that interests you — Check with Sime Darby, internationally.



The Sime Darby Group

MALAYSIA • SINGAPORE • HONGKONG • UNITED KINGDOM • EUROPE • INDONESIA • THAILAND • INDIA • AUSTRALASIA

MALAYSIA II

The death last January of Tun Abdul Razak, Malaysia's Prime Minister, brought the country face to face with a number of fundamental and interlinked problems—political, economic and social. In the immediate future these problems could evolve into a series of crises.

Atmosphere of calm prosperity

NEITHER THE current political squabbling nor any note of danger has yet ruffled the booming prosperity of the capital Kuala Lumpur or the rich peace of most of the green countryside. Malaysia is still the most pleasing country in Asia to visit, and after India and Indonesia one of the most fascinating. Sometimes Kuala Lumpur seems as if it is trying to suffocate itself in prosperity with tall buildings springing up, hemming in narrow roads choked with snarling jammed traffic; yet even in Kuala Lumpur there are plenty of wide green spaces offering a place to relax and breathe which is hardly possible in neighbouring, greedily frenetic, Singapore. Racial harmony is good and it is not uncommon to see pretty Malay and Indian and Chinese children wandering hand in hand to school. The ordinary people on the street are usually smiling and friendly and ready to chat or be helpful.

Out in the countryside life is slower, more humdrum, poorer. But Malaysia is as rich as paradise compared to say Bangladesh or rural India. There is not the same pressure on land or for food.

In spite of all these good things, new tensions have sprung up in the Malaysia of today. You can get a clue in the various security checkpoints in and around the capital. These are a lot more determined and thorough than a year ago.

Problems undoubtedly exist. Politically there are important splits and squabbles among the United Malay National Organisation (UMNO) politicians and the ugly issue of corruption in high places has burst into the open. The Malaysian economy is

beginning to pick up and head again for real growth running into double percentage figures, but with the Third Five Year Plan about to be launched, one issue is who is going to get the major share of the benefit of that growth. And then there is the security issue which came to the fore with a vengeance last year when Communist terrorists emerged from their jungle hideouts to bomb the National Monument and even more audaciously to lob hand grenades into the headquarters of the paramilitary police force in Kuala Lumpur.

Pressures

The political question overshadows all the rest because they all to some extent stem from it. In recent years the Chinese and the other minority communities have all had their problems and pressures, but the important question is what happens within the Malay community.

Tun Razak's death from leukemia caught everyone by surprise, although exactly why this should be so remains a mystery, considering the nature and the seriousness of his illness. It has been universally seen as a serious blow to Malaysia, but if Datuk Hussein can grasp fully and firmly the reins of power he may be able to deal with the difficulties he has inherited.

By any standards Tun Razak was a great man with many achievements to his credit. For years he loyally served Tunku Abdul Rahman as his deputy and was largely responsible for building up Malaysia's efficient civil service, one of the best in Asia. Then when he took over from the Tunku in 1970 he set about remedying some of the

serious deficiencies that the Tunku in his happy-go-lucky way had ignored.

The poor of Malaysia have a lot to thank Tun Razak for. It was he who pushed forward the New Economic Policy with its twin aims of eradicating poverty among all Malaysians and of eliminating the identification of race and job. If South East Asia ever manages to assert its own identity and to live in peace with Communist Indochina it too should thank Tun Razak. While the rest of the region was content to be virtually an American satellite Tun Razak and his deputy, Tun Dr. Ismail, accepted the idea of "living with the Reds" and proposed that South East Asia should be a zone of peace and neutrality. Tun Dr. Ismail had actually put the idea forward when the Tunku was in office but it had been waived aside.

But in the last two years the strain began to tell. In 1973 Tun Razak was deprived by death of Tun Dr. Ismail who was very much a strong man and kept other potential rivals in their place. Datuk Hussein who succeeded as Deputy Prime Minister could not fulfil that role. A spate of problems appeared and the truth is that Tun Razak could not cope with them. There was corruption of a number of leading Malays; there was an outbreak of violent demonstrations at the universities in Kuala Lumpur in December 1974. Ironically Tun Razak was largely led by Malay students claiming that corruption among the elite was hurting the rural poor; there were distortions to the Bumiputra (the word literally means son of the soil, that is Malay) policy which attempted to redress economic imbalances between the Malays and the other communities; there was the resur-

gence of the Communist terrorist activities.

Security

Tun Razak did his best so far as institutional questions were concerned. He pushed through a series of draconian laws to try to deal with the security situation. Terrorists and other subversives would henceforth be tried in special courts where they would have to prove their innocence, rather than the prosecution their guilt. Prosecution witnesses would be allowed to give their evidence in writing to conceal their identity and evidence could be heard in camera. Moreover, under the laws, suspected terrorists could not be given bail or released on grounds of insufficient evidence. Judges were deprived of discretion and had to impose the maximum sentence. In an attempt to remove the university troubles, Tun Razak allowed regulations which disbanded all university organisations and prevented political activity or demonstrations in the universities.

But the late Prime Minister seemed incapable of taking on crises involving other people especially the petty chieftains of UMNO and its allies. Thus he dithered over his handling of Tun Mustapha, the Chief Minister—and by his behaviour Sultan almost—of Sabah. Eventually he managed to get Tun Mustapha to step down as Chief Minister but Tun Mustapha is still effective ruler of the Borneo state. Tun Razak dithered and dallied over whether to prosecute Datuk Harun Idris, the powerful Chief Minister of Selangor State, on corruption charges and almost to the end was trying to compromise by offering Datuk Harun the post

of envoy to the United Nations. Whenever other people were involved Tun Razak tried to compromise rather than to face the problem squarely. He shelved his immediate difficulties but only caused them to pile up later for himself and his successor.

The start of the rule of Datuk Hussein did not appear auspicious. On the night of Tun Razak's death, he broke down in front of the cameras and was only able to manage a few words at a time between sobs. He himself has already had a heart attack.

Since then he has shown a remarkable change. The new Prime Minister has asserted himself in the strongest manner. He has staked everything and risked a huge split in UMNO by driving Datuk Harun Idris from his UMNO offices and successfully pressing the Selangor UMNO assembly members ten days ago to throw the Chief Minister from office. He has given tough instructions to the security forces to stand no nonsense and all in all promises a new regime that will sweep away the corruption that has lately infected Malaysia.

Some observers, particularly foreigners, are jubilant and see a victory already for Datuk Hussein. This is probably pre-

mature. The Prime Minister's action in bounding Datuk Harun from the party roused the old guard leaders and even persuaded Tunku Abdul Rahman to throw his hat into the ring again as a possible contender for Prime Minister. If Datuk Hussein is as keen as he promises to drive out all traces of corruption, then he may face difficulties from those who benefit from corruption.

Datuk Hussein's real battles are in fact just beginning. Victory in the political struggle is a prerequisite, but of itself does not solve all the other questions. Such things as ensuring balanced economic development, the harmony between the races, and defeating the Communist terrorists cannot be done by legislation or by strong-arm measures alone and there are some Malaysians, as for example Ungku Abdul Aziz, the Vice-Chancellor of the University of Malaya and a cousin of the Prime Minister, who fear that the new administration will put so much energy into the campaign to clean up Malaysia that it will either forget or have no time left for vital economic and social matters which need the forcing edge of political commitment and backing.

With that caveat it must be said that the new Prime Minister has a lot in his favour.

He is personally respected by all races, a factor which could be especially valuable in keeping the Chinese on his side and winning the war against the Communists. One undoubted factor which has helped the terrorists has been growing Chinese unease about some of the pro-Malay policies; this helped create the right kind of environment in which the Communist guerrillas can thrive.

Failed

Datuk Hussein Onn is the son of Datuk Onn Jafaar, a founder of UMNO. During the Second World War Datuk Hussein served as a captain in the (British) Indian Army. In the 1950s Datuk Onn tried to convert UMNO into a multi-racial group and when he failed left it with his son. Politically the move was a mistake because all Datuk Onn's support stayed with UMNO. But Datuk Hussein loyally stayed in the wilderness with his father until Datuk Onn's death; only then did he rejoin the party. The new Prime Minister has said: "I would rather be politically unpopular than fail in my duty. What is one's political future compared to one's responsibility?"

No one can cast any doubts on Datuk Hussein's integrity and it is undoubtedly puzzling

some leaders that Prime Minister is to buy anyone's support. Leaders in Asia in his would have helped a quest for men's sought. Datuk Hussein demanded their ally they would have to one else for the job Minister.

Malaysia's economy strong position which help Datuk Hussein, although somewhat tumbled and private tion fell, Malaysia's real growth now as the Treasury at 3.5 This year, as the wor from its recession, t reach double figure Bangladesh, India an other developing. Malaysia does not last unduly about growth population explosion. omy is so strong an anced that there can tunities for all proti Hussein can curb the cesses and reassures peasants, the Chinese foreigners of his gooc has a lot going for appears to be getting there are still a lot of

Kevin

In the recent past few leading figures have emerged from Malaysian politics with the qualities to administer this complex society. Happily, indications are that just one such has succeeded to power.

The political scene

DATUK HUSSEIN ONN, Malaysia's new Prime Minister, is a man of intelligence, principle and integrity. He is one man of whom anyone who knew Malaysia's inner circles would put his hand on his heart and say "that man is clean—without a shadow of doubt" and there are many others in the ruling elite upon whom something more substantial than a shadow of doubt would rest. Unfortunately Datuk Hussein, although Prime Minister, is not yet in full control of the United Malay National Organisation (UMNO), the leading Malay party within the coalition government and effectively the ruling party.

That emerged clearly when he was picking his Deputy Prime Minister. All the indications are that Datuk Hussein wanted Tan Sri Ghazali Shafie, the former top civil servant and Home Minister, to be his deputy and started making soundings to that effect. But Tan Sri Ghazali, though intelligent and articulate and a forceful character, has never reached the highest standing in the UMNO. Last year in the UMNO elections Tan Sri Ghazali was well down the list in 13th place and a few votes below his own Deputy Home Minister, Datuk Samad Idris. So when the Prime Minister started seeking approval for the Home Minister to be his deputy he was clearly told that the UMNO would not stomach this and that he must choose from among the party's vice-presidents.

For various reasons Datuk Hussein could not get on with Mr. Ghafar Baba, the senior vice president and Agriculture Minister. Many outsiders also considered him unsuitable on the grounds that he lacked the social standing and dignity of a Deputy Prime Minister—Mr. Ghafar started life as a caddy at the Malacca Golf Club. Tengku Razaleigh Hamzah was next on the list and a man of standing and great charm with the well-merited reputation of being Malaysia's whizkid. But although he was Chairman of Petronas, the State oil company, with the rank of a Cabinet Minister, Tengku Razaleigh had never before served in a Cabinet. So that left Dr. Mahathir Mohammad, the Education Minister, who ranked 19th out of a cabinet of 19 and had a reputation as a Malay "ultra" which Dr. Mahathir himself denies.

The Prime Minister announced that he had chosen Dr. Mahathir without consulting his chosen candidate beforehand. Dr. Mahathir indeed told me that he himself did not know of his appointment until an hour after it had been made public. Then Datuk Hussein added, just as if to show how heavy his heart was, "I have made my choice and can only pray and hope that the choice is a correct one and that he will be accepted and supported by the country generally."

Perhaps his obvious lack of control of the UMNO machine led the new Prime Minister to bound Datuk Harun Idris, the Chief Minister of Selangor and a strong man of the party, out of UMNO and out of office. He was seeking a victory to show his command.

Datuk Harun is still awaiting trial on various charges of corruption and criminal fraud, the latter charges relating to the Mohammad Ali-Joe Bugner world championship heavyweight boxing match. The total funds involved in the charges are more than Ringg.5m. (getting on for £2m.). The first of the cases will be heard later this month.

Campaign

What apparently set Datuk Hussein on his military style campaign was not that Datuk Harun faced charges, but the fact that although he was on leave from his office, he had continued to campaign against the new Government. On March 14 his supporters met and heaped praise on Datuk Harun while condemning the Government roundly and claiming members of it were Communists or Communist sympathisers.

The Prime Minister struck. On March 18 he summoned a meeting of the UMNO Grand Council and had Datuk Harun drummed out of the party. Datuk Hussein demanded that the vote should be open and not by secret ballot. Then he summoned the leaders of the UMNO Youth Movement whose president was Datuk Harun until he was expelled from the party. They had a three-hour heart-to-heart talk with Datuk Hussein which in diplomatic parlance was "frank". A statement was issued claiming that the youth had pledged unanimous support for the expulsion, but the statement was later repudiated as

unauthorised, indicating that there had been sharp disagreements. Next step was to get Datuk Harun out of office and for this purpose the State Assembly was summoned for a one-day meeting to pass a vote of no-confidence which it did in the last week of March with only Datuk Harun dissenting and four of his more loyal supporters abstaining. The former boss of Selangor State claimed he had tried to put his case to his former supporters but had not been able to find them the previous afternoon. His parting words to his erstwhile supporters were: "I nurtured and built up every one of you or else you wouldn't be here to-day."

Whether Datuk Harun is out or merely down is too early to say. Certainly the Prime Minister has done all he can to cut him off from his power bases and has not allowed him any opportunity to pack up gracefully. It is still open to Datuk Harun to try to call a special session of the UMNO to get the Grand Council verdict reversed or he could resort to more direct form of action—which is why the security forces are on special alert. There has been no sign of trouble in Kuala Lumpur which used to be part of, and now adjoins, Selangor State but at night in certain areas there is an unmistakable tension. Open action might play into the Prime Minister's hands in allowing him to detain Datuk Harun under internal security laws.

The Prime Minister's action has caused a great deal of uneasiness within the party. Some of the old guard leaders were unhappy with the expulsion of Datuk Harun and Tunku Abdul Rahman, Malaysia's first Prime Minister, openly said so. It was noteworthy that only a handful of the 13 States openly backed the expulsion and one of the notable absentees was powerful Perak State. Other leaders would admit that they had diverted money for the purposes of building up UMNO funds and yet others might wonder who would escape if the Prime Minister really set about cracking down on all doubtful elements. On top of this Datuk Harun has his loyal supporters and people whom he has built up and who owe allegiance to him. It would be inhumanly un-Malay to disown such a person even if he was found guilty of corruption; and if the former Chief Minister proves himself clear of the charges then he

would come back vengeance. In making his Cabinet Hussein had three minister appointments, giving his old job to a Finance Ministry. The Prime Minister upgraded three young men from deputy level and made ministers in his own d. It was almost sym the three, Samad I Hon Nyan, and Ach represent the three groups in Malaysia, if the new leaders w ing his appeal to all is also interesting man has been given overseeing job of areas of policy, the situation, the soc social affairs, as Hussein wants to b has his own special cars checking what done.

Crackdown

Datuk Hussein I notice that he inten time the "total was down against the C insurgents. His own Brigadier Datuk Ja has been given the t ing after the crucial areas where the East way is being built and a prime target for C attacks. When the h been completed it v valuable for the government forces to cut off the guerrilla lines. If the Prime fulfils his early appeal racial groups that co an even more power in reassurance the Chin give aid and comfort guerrillas who in spite ting into three facti caused a lot of harm the authorities in the In the East Malaysia Sarawak the coalition ment has made an i breakthrough. The nantly Iban Sarawak Party (SNAP) has a join the coalition and in the hitherto Mos Chinese government announced at any mom roans are the large group-in the Borneo and it was feared i absence of SNAP fo government was cau dangerous alienation. Thanks

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6/2/1970

MALAYSIA III

In the space of a few months—from last autumn to now—predictions for the future of the Malaysian economy have become decidedly more cheerful. It is reckoned that world demand for the Country's primary products is on a usefully upward trend.

Hopes for the economy

OUR months that inter-terms could reasonably be expected to expand by 7.5 per cent in 1976, and as the Bank Negara momentum gathered, another 1 bank) annual report of 1.5 percentage points could have vastly changed the growth rate for the 1977-78 the Bank Negara report predicts. Gross National Product at current prices would grow by 10 per cent in 1978, and taking account of the rise in population, per capita income would increase by 8 per cent to nearly Ringg. 2,000.

Looking back on 1975, the last year of the second Malaysia official. "Short of a political upheaval, or a drastic economic policy, there is nothing to stop this growth of 7.5 per cent for the past five years.

The Malaysia economy is very exposed to influences from the industrialised countries, and the full recessionary effects hit Malaysia in 1975.

Deteriorated

The volume and value of exports fell sharply. Export receipts were down by 9.2 per cent to Ringg. 9,250m. The volume of imports also fell sharply, for the first time since 1967, by 19 per cent to Ringg. 8,600m.

The big drop in export prices, and the moderate rise in import prices meant that the country's terms of trade deteriorated by 18 per cent, resulting in the fall of 4 per cent in real income last year.

Mainly because of the big drop in imports, the country had a favourable balance of payments of Ringg. 170m. last year. International reserves increased to nearly Ringg. 4bn. at the end of 1975, but they are now able to sustain only about five months of imports, compared to demand from overseas, the 1980s when reserves were impetus from the Third Plan to be announced in 1976.

Private consumption, which fell output in physical accounted for more than half

TERMS OF TRADE

| 1970 = 100 | |
|------------|-----|
| 1966 | 107 |
| 1967 | 100 |
| 1968 | 91 |
| 1969 | 103 |
| 1970 | 100 |
| 1971 | 86 |
| 1972 | 79 |
| 1973 | 87 |
| 1974 | 84 |

Source: DS

of total domestic expenditure fell by 2.3 per cent in real terms, as against an increase of 6.8 per cent in 1974. This is reflected in the sharp slowdown in income growth, and as can be expected, the sale of durable and luxury goods, such as cars, refrigerators, and TV sets, were hit.

Private investment also fell by 3.6 per cent, compared with an increase of 22 per cent in 1974, and there was a substantial rundown of stocks, especially in construction materials and durable goods.

The hasty, and badly-timed introduction of the sweeping Petroleum Development Act and the Industrial Co-ordination Act gave a scare to investors, particularly foreign investors, and to smooth their nerves and clear the air, the Federal Industrial Development Authority held an international investment seminar in Kuala Lumpur last October.

Talking to the delegates, it appeared that while they were impressed by the goodwill and sincerity of Government ministers and senior civil servants in attracting foreign investments, they were still not convinced that such goodwill and understanding had stepped down to lower levels. "You still have to go through a lot of hassles with

work permits, Bumiputras (Malay) participation, and approval of plans," said one participant.

In the light of a slowdown in the private sector, the Government's fiscal policy was aimed at providing thrust to the public sector, while its tight monetary policies were gradually relaxed to stimulate demand without fanning inflation.

Public sector investment rose by 8.5 per cent, while money supply increased moderately by 7.2 per cent to Ringg. 4,350m. at the end of 1975. Interest rates were relaxed, and the statutory reserves were lowered from 10 to 8.5 to 7 per cent by the middle of May.

It is interesting to note that while the Malaysian economy was in recession, the banking industry did good business in 1975, and continued to expand. This may appear at first to be paradoxical, but the picture clears up when one is reminded of the tight monetary policies of the two previous years.

For 1974, commercial banks were allowed to expand credit by only 15 per cent, above 1973 (it actually increased by 14.6 per cent), while with the easing of credit restrictions, total loans and advances rose by 16 per cent in 1975 to Ringg. 6,500m. Bank deposits also increased substantially, reflecting the overspill of income growth in late 1974, and the increased earnings from rubber in late 1975.

During the year, Bank Negara maintained its directive that commercial banks extend at least half their loans to productive sources (like manufacturing, including food production, and the purchase of residential homes) and to Bumiputras, as part of the Government's policy to help them in business.

Hence, loans to Bumiputras increased to Ringg. 780m. last year, representing 12 per cent of total loans, compared to 9.6 per cent in 1974 and 3.3 per cent in the early 1970s.

The most welcome piece of news coming out from 1975 was the success in tackling inflation. Malaysians had had two traumatic years when the rate of inflation went up by 11 per cent in 1973 and accelerated by another 17 per cent in 1974. Prior to that, Malaysians had enjoyed more than a decade of stable prices.

The depth of the recession, and the improvement in the world food situation (food items make up 47 per cent of the Malaysian consumer price index) brought the inflation rate down to 4.5 per cent, much lower than had been officially anticipated.

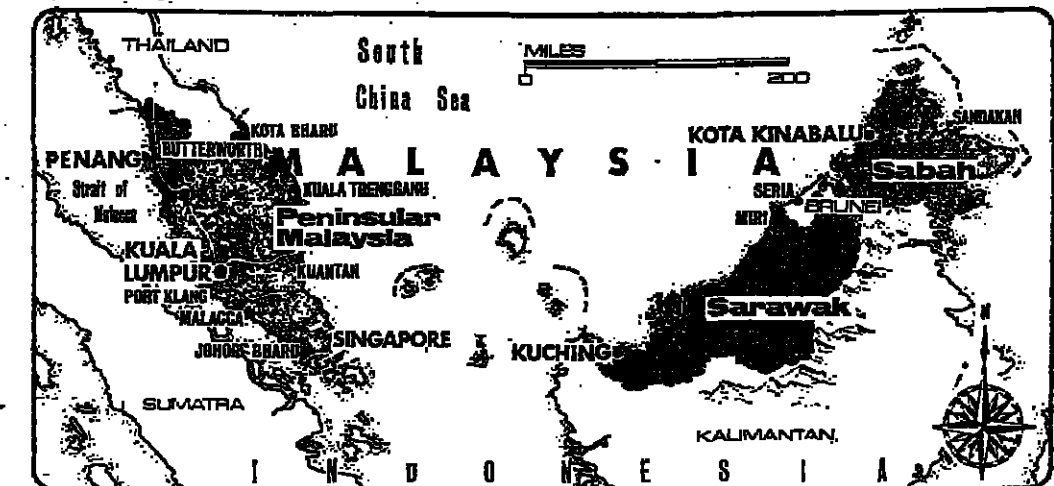
However, inflation is by no means under control. Malaysians have developed an inflation psychology, and the anticipated upswing in the economy could lead to another bout of high inflation. Fiscal and monetary policies must therefore be cautious. While Government should create conditions which would allow the economy to take advantage of the recovery in the industrialised countries, and to reduce unemployment, it must watch for inflation tendencies, especially from abroad.

Responding

Malaysia's agricultural sector is swiftly responding to the recovery of the OECD countries. Rubber production, which fell by 9 per cent last year, because of the national crash programme and unattractive prices, should climb again, with the relaxation of production cut-backs, and a better demand from the world's automobile industry.

Timber production is picking up with the upswing in the housing industry in the U.S. and Japan. Output of palm oil is expected to remain high.

Overall growth in the agriculture sector is likely to be around 5 per cent, which would



add 2 percentage points to overall national growth.

The outlook in the mining industry is also good. Crude oil production is expected to expand moderately from its current 140,000 barrels daily. Tin production, which has been falling over the past four years, should stabilise, or may even expand by a few per cent to take advantage of the good prices, and relaxation of tin export controls. For the first time, Malaysia is now a big copper exporter. The first shipment of 7,000 tons of copper concentrates from the Manut mines in Sabah left for Japan early this year. The mines, a joint venture between the Japan Overseas Mineral Resources Development Corporation and Sabah interests, will export 120,000 tons of copper concentrates (equivalent to 32,000 tons of copper when smelted) a year for the next 15 years. The value of Malaysia's mineral exports is expected to grow by 15 per cent. Manufacturing activities are also picking up, and factories are expected to reduce their excess capacities, as well as to build up their inventories which were run down last year.

A survey, done last year when recovery signs were not so pronounced, showed that 50 to 55 per cent of the companies surveyed expect to be operating above 80 per cent of their capacity by the end of this year, compared with 35 to 40 per cent in December last year.

Private investment should increase, and Bank Negara expects it to grow by 4.5 per cent this year, compared to a fall of 3.6 per cent last year.

Comparison of the country's exports at the start of the First Malaysia Plan (1966) and the end of the Second Plan (1975) provides a good illustration of the growing sophistication of the Malaysian economy, as well as its diversified range of exports (see table).

The figures in the table clearly show the declining predominance of rubber and tin, and the growing importance of

EXPORTS

(1966—3,790m. ringgits)

| | Per cent |
|----------------------------|----------|
| Rubber | 39 |
| Tin | 23 |
| Timber | 9 |
| Palm oil | 3 |
| Petroleum and its products | 5 |
| Manufactured goods | 12 |
| Others | 9 |

(1975—9,250m. ringgits)

| | Per cent |
|----------------------------|----------|
| Rubber | 20 |
| Tin | 14 |
| Timber | 13 |
| Palm oil | 16 |
| Petroleum and its products | 9 |
| Manufactured goods | 17 |
| Others | 11 |

Source: Bank Negara

tighten control over its recurrent expenditure, which is taking an ever bigger slice of its budget every year. Last year, public spending rose by 11 per cent.

The unions in the Government services are currently the ones that are putting pressure on wages, and are demanding implementation of the very generous salary recommendations in the Ibrahim Ali Report.

If implemented, the Ibrahim Ali Report would not only mean an additional few hundred million Ringgits for the Government to bear, but would actually widen income distribution, within the civil service (with top civil servants getting as much as Ringg. 2,000 extra a month, compared to less than Ringg. 100 for the lowest grades) and the rest of the nation's labour force.

Apart from attempting to eradicate poverty, the Third Plan must concentrate on attacking a very serious problem in the country, unemployment. The recession last year aggravated the unemployment situation, and although unemployment is officially put at 7.5 per cent, it is more likely to be around 9 or 10 per cent.

The Second Plan, while succeeding in sustaining good growth rates, and helping the concern over the growing protectionist policies among the industrialised nations against manufactured goods from Third World countries.

Government involvement in the economy will be even more intensified under the Third Plan than in previous plans. Unfortunately, the growing Communist insurgency has made it necessary to devote a bigger slice of the public expenditure towards defence and security, which would otherwise have gone into productive avenues. The police have announced plans to boost its present strength of 40,000 by another 22,000 by 1980, and a similar increase in the armed forces can be expected.

The Government will have to

Wong Sulong

Occasion:
International Seminar
in Kuala Lumpur
27th—29th October, 1975

Subject:
Investment Opportunities
in Malaysia

KEY STATEMENTS
BY MALAYSIAN LEADERS
AND FOREIGN INVESTORS

Malaysia's success story is generally acknowledged and a major element in that story is the government's pragmatism and fair-mindedness as well as our recognition of the important role of foreign private investment in our industrial development programme.

Given the growing and dynamic economy we have been able to maintain a high level of economic growth within the framework of financial stability. Our currency is strong and stable with a foreign exchange reserve backing of more than 150 per cent. The foreign exchange reserves of the country now stand at about four billion ringgit, which is equivalent in value to six months of retained imports at current levels.

I wish to reiterate and to reassure investors that this law will be implemented fairly and equitably and in a manner that will not affect adversely Malaysia's investment climate and our unblemished record of fair treatment to all investors.

*Malaysia's petroleum legislation

Keynote Address by the late Tun Haji Abdul Razak bin Hussein, Prime Minister of Malaysia.

We do not practise any form of discrimination when considering projects, whether they are promoted by local or foreign investors. For example in the granting of incentives a critical factor is the contribution of the project to Malaysia rather than the source of its investments.

Projects that are substantially export-oriented (80 — 100% export) and which utilize basically imported components and parts are generally allowed to have majority foreign ownership.

In exceptional cases where 100% export-oriented projects can present a substantial case for 100% foreign equity ownership, such ownership may be approved after special consideration by the Minister of Trade and Industry.

The industries on which the Government is placing special emphasis are export-oriented, labour-intensive, resource-based, agro-based, high technological-oriented industries, the hotel and tourism industry and industries that are able to integrate with the existing industries.

Malaysia's incentives programme offers tax-free periods of up to 10 years.

Other facilities important to investors include suitable land at reasonable cost; free trade zones and bonded manufacturing facilities for export-oriented projects; tariff protection for deserving local industries; exemption from import duties on raw materials and machinery required by deserving manufacturing industries; sophisticated infra-structure.

Address by Datuk Haji Hamzah bin Datuk Abu Samah, Minister of Trade and Industry.

Malaysia is still a very, very attractive investment opportunity and absolutely, we go ahead with all our programmes.

Address by Mr. David Lindstrom, Managing Director, Motorola Malaysia Sdn. Bhd., Communications Division.

Training our employees, comprising Malays, Chinese and Indians, went on smoothly and without problems. The progress of our trainees was remarkable, the high quality of the products they manufacture being equal to that of comparable products manufactured in the Federal Republic of Germany.

Address by Mr. Gerd J.D. Zimmermann, Managing Director Economics, of Robert Bosch (M) Sdn. Bhd.

It is our considered opinion that the investment climate in this country is good and will remain so in the foreseeable future. Malaysia is a country with a vast potentiality for further development and with a wealth of large resources still to be tapped. From this point of view the country is a most desirable area for investment.

Address by Mr. G. Flacconi, Managing Director, Italasia Sdn. Bhd.

Why Malaysia? The past and recent reasons still apply:— We have successfully run a business here for years and we were looking for expansion. The incentives offered by Government were attractive, labour is good and at a reasonable cost. There is no problem over the transfer of funds. Malaysia has a history of relative stability. The infra-structure and services are good. It is a pleasant country to live for foreign staff, with reasonable facilities.

Address by Mr. O.B. Wolstenholme, Vice Chairman of the General Electric Co. of Malaysia Sdn. Bhd.

FIDA impressed me as a unique and effective organization to handle so many aspects of investment promotion. The official whom I met was most helpful and efficient, and in the one hour interview I had with him, he gave me more information than I got from one month's stay in . I stayed only two days in Malaysia, but those two days satisfied me completely. I had decided on Malaysia as the location for our plant.

* another developing Asian country

Address by Mr. Michiyoshi Imanishi, Managing Director, Kanematsu-Gosho Ltd.

Booklets providing details on Malaysia's investment opportunities are available on request. In addition you may purchase the full text of the Seminar speeches and the Question and Answer Sessions. Please contact:—

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Malaysia does not regret being the first of the Asian countries to establish diplomatic relations with Peking. It has also been working hard to achieve a zone of peace and neutrality in South East Asia and to prevent the establishment of military bases in the area.

Foreign relations

YSIA ALONE of all the communist countries of East Asia has escaped the cursing edge of Hanoi propaganda broadcasts. Vietnam has attacked Malaysia as the "regional man" of the U.S.; it has made threatening remarks to the stooges of "U.S. imperialism" in Thailand; it has ridden the Association of East Asian Nations (Indonesia, Malaysia, Philippines, Singapore and Thailand) as imperialist; but Malaysia specifically, it squeaks.

Malaysia's silence might be considered the reward for Kuala Lumpur's assiduous pursuit of neutrality. Ever since 1971, after Tunku Abdul Razak ceased to be Prime Minister, Malaysia has been ag for acceptance of a zone of peace and neutrality in East Asia. The aim is to keep out of the Great Power guarantees they will keep out and not let the military bases in the South East Asian

region will be asked to promise not to attack each other and to settle their disputes peaceably. Thus at the same time the scheme — if accepted — would provide guarantees against attack from outside the region (for North Vietnamese worried about U.S. imperialism) and from within (for the ASEAN countries worried about Vietnamese ambitions.)

Malaysia worked hard to get ASEAN's commitment to the zone of neutrality, though some of the five are less keen than the others. Thailand, for example, had U.S. bases until this year and the Philippines still has, and some respected commentators say that Manila is happy to play the role of American satellite in orbit round Asian politics. China has provided its backing for the zone, but China is not yet a maritime power. And that is as far as the scheme has got.

Kuala Lumpur feels that the fall of Phnom Penh, Saigon and Vientiane to Communist forces only proves its case. Such defeat is liable to be part of the penalty of putting your trust in military forces from a far-away country. Since the Com-

munists took over in Indo-China, ASEAN has made renewed peace overtures, but only been met with a stream of hostile propaganda from a distrustful Hanoi. Malaysian officials would be horrified if their attitude was taken to mean that they were fellow-travellers or approved of Communism. They consider themselves "genuinely neutral," opposed to Communism, but willing to live in peaceful co-existence.

Problem

They are in no doubt as to the intentions of North Vietnam — Hanoi wants to control all the territory east of the Mekong, that is the whole of what was French Indo-China, and would be happier with Communist neighbours. Malaysia is still waiting for its own ambassador-designate for Hanoi to go to Vietnam. He has been held up for months because of a "lack of accommodation," though Kuala Lumpur thinks that that is a genuine problem, in Hanoi.

Malaysia's own attitude towards Communism came out clearly when there was a re-

currence last year of the insurgency. New tough internal measures were pushed through allowing the security forces greater powers of arrest in the crackdown on suspected terrorists. Only last month Dr. Mahathir Mohammad, the new Deputy Prime Minister, warned that "people must give serious thought to events in Indo-China, so that the Communist influence will not spread to Malaysia."

But in spite of the fact that the Communists operating in Malaysia's jungles are given propaganda support from a transmitter known to be located in China, Kuala Lumpur does not regret being the first of the ASEAN countries to establish diplomatic relations with Peking. When the ties were established some of Malaysia's partners accused it of waiting in an undiplomatic hurry. So what does Kuala Lumpur now say, with stepped up terrorist activity and no decline in the radio broadcasts from China?

Officials say there is no evidence that China is sending any supplies to the Communists in the jungles. And they feel that the Government scored a

good propaganda victory when agency. New tough internal measures were pushed through allowing the security forces greater powers of arrest in the crackdown on suspected terrorists. Only last month Dr. Mahathir Mohammad, the new Deputy Prime Minister, warned that "people must give serious thought to events in Indo-China, so that the Communist influence will not spread to Malaysia."

But if Malaysia does not think Communism in South East Asia can be defeated by military help from outside, it is looking anxiously for economic help from abroad. The Foreign Ministry is planning busily for the Islamic conference in Istanbul in May. Malaysia will press the rich Middle Eastern oil producers to step up their help to poorer nations facing a Communist challenge. It has high hopes of such institutions as the Islamic Development Bank. Malaysia is ripe for development progress and has had interest from the Middle East, but so far not much money.

It is not difficult to pick up hints of disappointment in Kuala Lumpur towards the attitude of the Western nations. Some Western countries like the U.S. have decided that Malaysia is rich and developed enough to do without economic aid; others shortsightedly think of aid in the battle against Communism as only military aid.

The Government certainly does not hold the view that Malaysia is rich enough to do without aid. Officials claim that the country cannot afford to borrow in the international money market because the interest rates are too high. And they say that the richer Malaysia becomes, paradoxically the more money it needs to keep the pace of development going and particularly to ensure that all the races can participate harmoniously and fairly.

K.R.

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U.K. trade efforts

KUALA LUMPUR to-day Duke of Kent will limited. In trade there is still a strong British presence. Land Rovers and Bedford lorries are still a mainstay of the transport system. British consultants are strong in Malaysia. Construction has suffered a bit because of undercutting by the South Koreans, but is still strong. Railways and airport equipment are largely provided by the British, though there is competition from non-traditional countries like India. (And there, in some official eyes, the problem is that "we taught them too well.")

And the plantations and mines through which Malaysia earns its exports are dominated by the British. Inevitable

Inevitable

In all, it is a picture of Britain still doing well and managing to hold its own, though losing some markets because "when we were here they were our captive markets and now it is inevitable that the Japanese, who are geographically closer, should pick some of them up."

When it comes to trying to check such personal and impressionistic views against cold official statistics there is a major problem. The British and the Malaysian official versions of trade figures differ considerably. Thus the U.K. figures show exports in 1969 were £27m. and imports from Malaysia £24m. Over the past few years, according to the U.K. statistics the trade gap remained as the trade deficit was £22m. in goods exported to Singapore for 1971 on total trade of £108m. and £16m. in 1972 on trade of £108m. the same value. Then, in 1973, the Malaysians include shipping Malaysian exports more than doubled to £94m. and Malaysia's U.K. statistics would show an opened up a gap of £16m. in the

invisible trade figure, and would probably show a big surplus in Britain's favour if a separate Malaysia account were available, a deficit in Malaysia's visible figure is understandable, though its size is large.

In the circumstances what is more instructive is to compare the performance of the U.K. with that of other countries. Here, it is difficult to maintain a cosy view of the U.K.'s export performance. The Malaysian figures show that, in the period from 1966, the major importing countries, Japan, the U.S. and the U.K., have maintained their shares of Malaysia's exports, with 18, 14 and 7 per cent respectively.

But in the battle for the Malaysian market, the U.K. has done badly. Japan has done well. Its exports to Malaysia had 12 per cent of the market in 1966, and 22 per cent in 1974. The U.S. did well, rising from 6 per cent in 1966 to 10 per cent in 1974. The U.K. slipped from 19 per cent, the largest share, in 1966 to 9 per cent in 1974.

Malaysians do not on the whole think that the poor performance can be accounted for by talking about the natural erosion of a once captive market. After all 1966 was nine years after independence.

Difficult

As to investment in Malaysia, it is difficult to get reliable figures. U.K. companies, by virtue of their long-standing ownership of plantations and mines, are well in the lead, with book values of investments possibly totalling about £300m. Even in the recent figures for investments qualifying for pioneer status the U.K. does well and comes second to Singapore. But in the last few years officials say that the U.K. is being surpassed. West Germany, which does not figure yet in the pioneer investors top ten table has been putting in a lot of money, with plans in the last 12 months alone totalling £10m. worth of investment. In high growth centres like Penang it is impossible to escape German signboards.

Almost everyone in Kuala Lumpur has a good word for the British — unlike the prickly view of the Japanese — but they acknowledge that the U.K. is a steadily declining force. Some of them think that the British effort in Europe is misplaced, as that is the best place to get a hiding. One respected Chinese said to me: "We know your goods are good, but they are expensive and you have forgotten how to sell; sometimes we think, with honourable exceptions, that you have forgotten us."

K.R.



A street market in Kuching.

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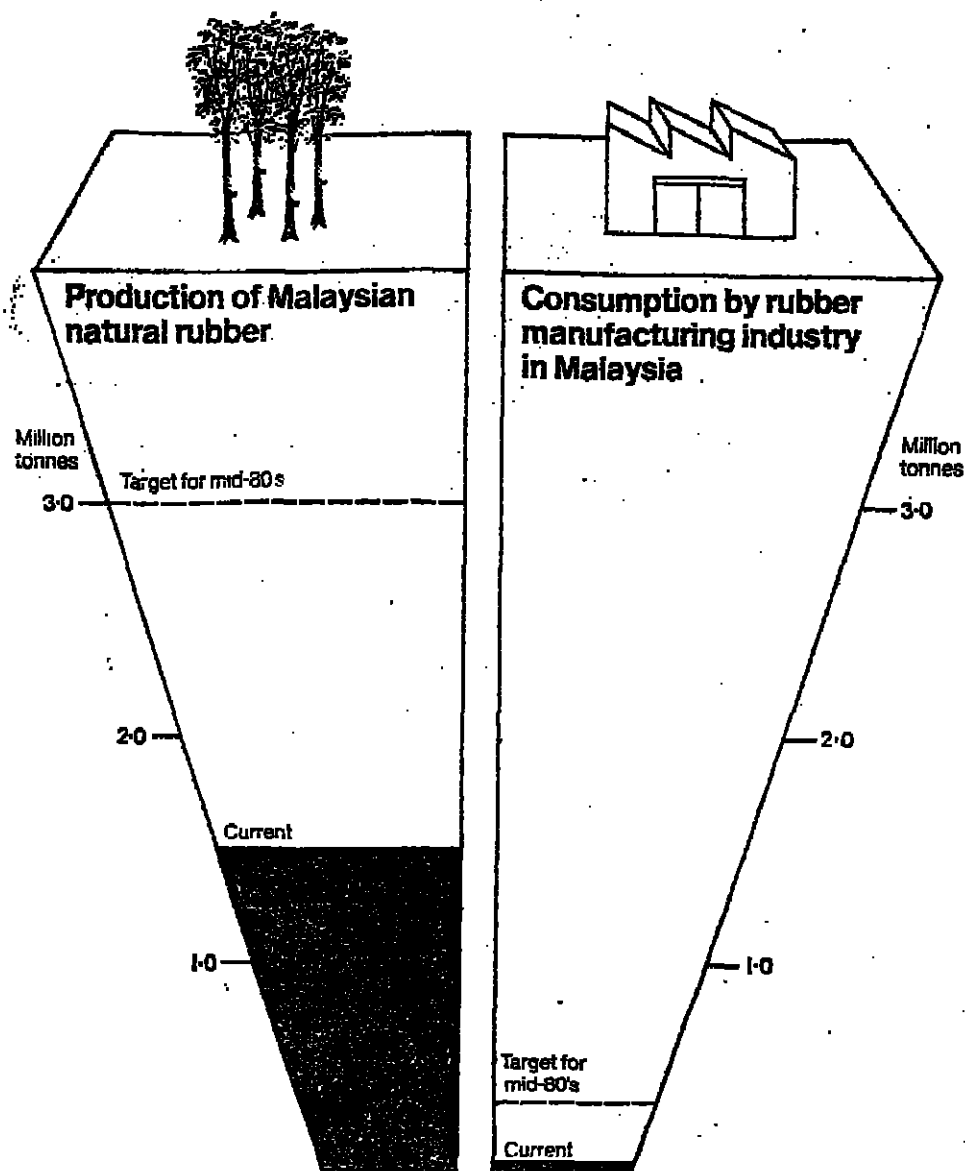
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MALAYSIA VI

Considering that it produces a large part of the world's supply of basic commodities such as tin and rubber, Malaysia is well justified in its claim to enjoy a greater voice in international commodity markets. It is taking steps to achieve that representation.

Commodity markets

MALAYSIA IS pushing ahead with its ambitious plans to set up a series of international commodity markets in the capital, Kuala Lumpur. The Government believes it is not enough simply for Malaysia to be the world's leading exporter of natural rubber, tin, palm oil and pepper; it also wants to have a major share in the marketing of these products.

Plans are furthest advanced for a rubber market and the Government believes that Kuala Lumpur rubber exchange is "progressing satisfactorily." The job of looking after the rubber exchange is in the hands of the Malaysian Rubber Exchange and Licensing Board, which was set up in September, 1973, and has overall supervision of the licensing, registration, packing and dealing, and export and shipping of natural rubber.

Last year the Board introduced a continuous price reporting system, a hybrid between the "open call" system used in London and the former whispering system. Under the new rules all spot and futures deals made through the brokers have to be reported immediately to the Board as to price and volume. They are then recorded immediately in the trading room, without the identity of broker, buyer or seller being disclosed. So far the new system has been a success and there are plans to install a computerised on-line transmission network to provide prices, volumes and reports of market trends to members of the rubber exchange via video terminals.

The rubber Board has also tried to attract overseas traders and brokers to Kuala Lumpur. By the end of 1975 there were 142 Malaysian members of the rubber exchange and 28 overseas members, including subsidiaries of some of the

largest rubber dealers in the world. In another move to publicise Kuala Lumpur the rubber Board in October attracted 400 people from 25 countries to an international rubber marketing conference. The position of Malaysia should be further boosted this year when the chief executive of the rubber Board becomes chairman of the International Rubber Association for a year.

Feasibility

Experts expect that there will also soon be a palm oil market in Kuala Lumpur. A feasibility study reported in 1974 that the time was right for the setting up of a futures market and clearing house for the commodity.

Since then three sub-committees have been looking at the technical problems involved and they are expected to report soon.

Arrangements for palm oil are likely to include an exchange which will operate and regulate pricing and marketing of tin for a futures market for the commodity and a clearing house to clear and settle contracts.

A palm oil registration and licensing market in Penang is not one thing authority will also probably where buyers and sellers could be established to look after the production, processing and marketing of both oil palm fruit less, the market could be re-auctioned and of palm oil. The organised into a proper terminal

ketting of Malaysian palm oil as for the trading of tin metal on well as regulating standards of a prompt (cash) and forward quality, looking after bulk trading, as well as for futures and shipping facilities, standardising export contracts and buying fresh oil palm fruit from smallholders.

Tin is another commodity where Malaysia is more than anxious to see a Kuala Lumpur market. It points out that more than 80 per cent of the world's production of tin metal is sold

and priced on the Penang market, yet this is only a limited physical market doing the joint pricing and marketing of tin for the miners. The Bank Negara in its annual report comments: "Unlike real markets, the tin market in Penang is not one thing authority will also probably where buyers and sellers could be established to look after the production, processing and marketing of both oil palm fruit less, the market could be re-auctioned and of palm oil. The organised into a proper terminal

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A Chinese owned tin dredge in Selangor.

The article below discusses in detail what has happened to Malaysia's main commodities during the past year. Developments tend to reinforce the country's claim to a world dealing seat.

Developments last year

NOTHING BETTER illustrates the strength of Malaysia's call for international commodity agreements than what happened last year to its commodities.

Earnings of all of them—except oil—fell considerably and this had major repercussions throughout the whole economy. Malaysia has diversified its commodity exports since the days when it was dependant completely on rubber and tin. It now has rubber, tin, timber and palm oil, as well as pepper, and is world leader in each—but even so it has suffered badly.

RUBBER exports dropped by 13 per cent in volume to 1.35m. tonnes, but fell even more in value to 135 cents a kilo according to the Government's Economic Report. All that added up to a 37 per cent decline in the total value of rubber exported last year to about Ringg.1.8bn.

Exports of TIN also fared badly. Prices fell by 12 per cent to Ringg.945 a picul, but oversupply also led to export controls from April to the end of 1975 and Malaysia's tin exports were 68,000 tonnes, a drop of 20 per cent. Total earnings fell by almost 30 per cent to Ringg.1.1bn.

TIMBER was badly hit by the slowdown in building and construction industries. Exports of sawlogs fell by 25 per cent in volume, by 18 per cent in price and total earnings dropped by almost 40 per cent to Ringg.628m. Sawm timber earnings fell to Ringg.365m, a fall of 16 per cent after volume had dropped by 10 per cent, and price by 7 per cent.

PALM OIL proved the only one of the agricultural commodities of Malaysia which showed higher earnings in 1975 than in 1974. Total earnings were Ringg.1.4bn, giving the commodity second place to rubber in earnings, but this 29 per cent increase was only achieved after an even more

massive 34 per cent in the volume exported. The price of palm oil fell by nearly 4 per cent to Ringg.1.161 a tonne.

Exports of PETROLEUM gave a useful boost to Malaysia's earnings registering a 9 per cent rise in value to Ringg.734m. Again, however, the volume rise was higher—almost 11 per cent—because of a 1.4 per cent fall in the price per tonne.

Overall, Malaysia's gross export receipts declined last year to Ringg.13.3bn, according to the latest revised figures issued this month (April) by the Bank Negara (central bank) in its annual report. That is a fall of more than 9 per cent. The bank comments that it was only the continuing growth in earnings from oil and manufatures that prevented export earnings from falling more steeply.

This year, with the end of the world recession, Malaysia's commodity exports are expected to do much better. A resurgence of the motor industry, which consumes 60 per cent of the world's natural rubber, should boost rubber again, and

improvements in construction industry will help timber. But the price of Malaysia's exports is likely to rise by between 7 and 8 per cent in 1978. But this rise will almost certainly be offset by a similar rise in import prices. The bank expects no impression to be made on the huge 18 per cent deterioration of Malaysia's international terms of trade in 1975.

It is not difficult to see why. The Bank Negara predicts that the price of Malaysia's exports is likely to rise by between 7 and 8 per cent in 1978. But this rise will almost certainly be offset by a similar rise in import prices. The bank expects no impression to be made on the huge 18 per cent deterioration of Malaysia's international terms of trade in 1975.

One of the real problems that the repercussions of commodity price slump off hardest at the most vulnerable sections of society. In the case of Malaysia rubber tappers and small who are always badly hit slump. In good years, rises may breed a false security as happened in when large numbers of workers went out on (of purchase) spending, imagining that their go would last. The Government tried its best to introduce price stabilisation measures in the face of a fierce international slump, even though be the world leader, it do much.

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EXPORTS OF MAJOR COMMODITIES*

| Malaysia | | | | | | | | | |
|----------|----------------------|------------------------------|----------------------|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Rubber | Tin and tin- concentrates | Sawlogs | Petroleum, crude and partly refined | Palm oil | | | | |
| | Value (£ million) | Volume (000 tons) | Value (£ million) | Volume (000 tons) | Value (£ million) | Volume (000 tons) | Value (£ million) | Volume (000 tons) | Value (£ million) |
| 1966 | 1,473.9 | 1,013.1 | 793.0 | 73.5 | 394.3 | 6,435.0 | 124.2 | 2,240.5 | 124.0 |
| 1967 | 1,274.7 | 1,043.3 | 755.6 | 73.6 | 475.3 | 7,093.8 | 123.9 | 2,070.5 | 114.9 |
| 1968 | 1,253.2 | 1,171.6 | 828.6 | 88.2 | 548.9 | 8,243.6 | 172.1 | 3,859.4 | 174.5 |
| 1969 | 2,031.1 | 1,354.9 | 939.8 | 92.0 | 601.5 | 8,772.0 | 168.2 | 3,993.2 | 152.9 |
| 1970 | 1,723.7 | 1,354.4 | 1,013.3 | 92.6 | 642.7 | 8,920.4 | 201.5 | 4,778.3 | 264.3 |
| 1971 | 1,460.4 | 1,390.4 | 905.8 | 87.1 | 640.5 | 8,750.6 | 389.9 | 7,952.3 | 288.4 |
| 1972 | 1,298.2 | 1,364.9 | 924.0 | 88.6 | 592.2 | 9,110.1 | 222.9 | 4,255.3 | 362.6 |
| 1973 | 2,507.2 | 1,638.6 | 897.0 | 81.5 | 1,032.4 | 10,119.5 | 269.2 | 2,895.9 | 465.6 |
| 1974 | 2,886.7 | 1,570.2 | 1,514.9 | 85.7 | 1,032.4 | 9,554.0 | 673.9 | 3,348.9 | 1,086.0 |
| 1975† | 1,810 | 1,348 | 1,064 | 68 | 628 | 7,117 | 734 | 3,485 | 1,299 |
| 1976† | 2,105 | 1,480 | 1,280 | 81 | 722 | 7,750 | 883 | 3,850 | 1,387 |

* All weights in metric units.
† Estimates by TED.
Source: DS.

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هناك اصرار الأصل

MALAYSIA VII

After rubber, palm oil is now Malaysia's biggest export earner. Its rise to this position can only be described as phenomenal.

et's Palm oil exports

It is now Malaysia's biggest export earner, and its rise to this position can only be described as phenomenal. This is just the beginning: this year, it expects to export a quarter million tons of oil, and the figure should reach half a million tons by 1980 with new oil palm schemes coming into production, and existing ones reaching peak yield.

The authority has become such a big producer for both palm oil and rubber that it had to set up its own marketing authority, FELMA, in 1974, to handle the sale of its produce. Last year, FELMA sold Ringgit 290m. worth of FELDA's palm oil and rubber overseas.

The land development authority's success in giving a new and economically viable livelihood to thousands of impoverished, landless farmers has not been without criticism.

FELDA is the Government's biggest and most successful land development agency (a great percentage of other Government land schemes failed), but the costs in opening up its schemes are still 30 to 40 per cent higher than similar projects in the private sector.

However, the main criticism is that of the 200,000 settlers on its schemes, 95 per cent are Malays and only 5 per cent Chinese. Raja Alias, FELDA's general manager, claimed that this situation had resulted because in the past few Chinese were interested in joining FELDA, and not because of any deliberate racial policy.

Life in the early stages in any land scheme is tough. There is a certain degree of discipline and, until the trees are yielding, a settler is given a monthly allowance of 60 Ringgit. Most Chinese feel that they can earn more elsewhere, and they have

not applied to join FELDA in any large numbers," said Raja Alias, who also pointed out that the proven success of the schemes now attracting more Chinese, and their participation in FELDA will increase in the future.

The present going is certainly good for Malaysia's oil palm growers — whether on the estates or with FELDA. But there are ominous signs of trouble on the horizon. More than a quarter-million acres will be planted with oil palm in the next five years, and even based on present acreages, production is expected to double to 2.7m. tons by 1980. Malaysian planners will have to consider seriously the prospects of overproduction and falling prices during the 1980s.

U.S. market

Palm oil exports have made such heavy inroads into the U.S. market in the past two years (400,000 tons from Malaysia in 1975 alone) that the American soyabean lobby is putting pressure on the U.S. Administration to impose duties and/or quotas on palm oil. Pressure is also being applied for the U.S. Administration to influence the World Bank and Asian Development Bank to reconsider their loan commitments to financing Malaysia's oil palm projects. Ironically, it was the American authorities in the late 1950s who were encouraging the Malaysians to grow oil palm as its agricultural diversification programme.)

Malaysian authorities are not unduly worried about the threats from the U.S. soyabean lobby. Palm oil is able to penetrate the U.S. market not only because it is cheaper, but also unlike soyabeans, its supplies

are more predictable. Being a food product, palm oil should be able to find new markets quite easily in the Middle East, India, China and Japan. Nevertheless, Malaysian authorities feel that there should be more supervision over the way the industry is moving, and a Bill setting up a palm oil registration and licensing authority (PORLA) to regulate production and exports is being drafted.

Considering that the palm oil industry is now so important to Malaysia, it is surprising that so little is being done in the way of research. Whatever research there is at the moment, seems to be centred on oil palm as a crop, rather than palm oil as a commodity. Unlike the rubber people, palm oil growers and exporters are not doing much on end-use research, or providing any meaningful services to overseas consumers. A palm oil research institute, along the lines of the Rubber Research Institute, appears to be the logical and imperative development.

Right now, the Government does not even have its own technical specification for what it considered to be "refined" palm oil. In fact, quite a few companies have set up so-called "refining and fractionating plants," but are doing just the minimum refining in order to avoid the export duty on crude oil. While it is encouraging to see that much greater quantities of palm oil are now being refined within Malaysia (and converted to edible products), the spread of refineries have also brought about extensive water pollution, as most of these plants are conveniently sited along rivers, where they dump their waste.

W.S.

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Tin, another of Malaysia's major primary resources, has lost some of its shine in recent years. However, the hope is that this mineral will remain a trade mainstay.

ong-term tin problems

COSTS of production of tin have risen sharply in recent years, leading to a sharp drop in output. The kind of problems that have been hitting the tin industry, the outlook is now brighter, the industry's problems as it with diminishing increased competition and continued escalation of costs, especially in imported machinery.

At the time now Malaysia is able to produce quantities that the "floor" price at \$1900 a picul — raised to \$2050 at a Council in March — the actual cost of for many mines, though Malaysia is still expected to be one of the producers in the demand for tin at a ebb, and the market is supported by heavy the Tin Council's to remove surplus meant that the price could not be more realistic level, the agreed last month much a compromise decided on after a Je argument between and producing

amount of help that can be given has been limited by the severity of the cutback in export quotas needed to keep tin prices from breaking through below the Tin Agreement "floor" level and the reduction of revenue in real terms as a result of depressed demand.

Naturally as the world's biggest producer, accounting for some 30 per cent of total world-wide output, Malaysia had to bear the brunt of the cutback in sales agreed by producer members of the Tin Agreement to keep market prices up.

Sensitive

Recognition of the special problems confronting the gravel pump mining sector in Malaysia, which is particularly sensitive to cost pressures, was given by the Tin Council in deciding the export cutbacks. Last summer, for example, when a recovery in demand appeared to be likely export quotas were specially relaxed so that aid could be given to the marginal mines in Malaysia, and it was from these extra sales that the "hardship fund" was formed. But the failure of better demand to materialise, and the surplus supplies that built up as a result, proved almost fatal to the stability of the Tin Agreement and more severe sales restrictions had to be applied again in the first quarter of 1976. It has now been decided to relax the export quotas again during the second quarter of 1976, and a small extra amount was added to the permitted sales in the first quarter, but the fact remains that export quotas—the Tin Council's ultimate weapon for holding up market prices—are still in force and continue to erode the profitability of the whole industry. The cutback in permitted exports means either a buildup in surplus stocks, which could be very costly, or a reduction in output that is equally harmful to profits, particularly when overhead costs are still rising.

There are distinct hopes of a sufficient recovery in demand this year to clear the heavy

surplus holdings in the buffer stock, and enable the export controls to be relaxed even more or be completely removed by the end of the year. These hopes are reflected in the much higher price levels in recent months that has brought a welcome addition to tin mining revenue, although there is still uncertainty as to whether the higher levels can be sustained during the months ahead as more supplies become available.

The amount of surplus tin from the U.S. stockpile available for sale has diminished to a small tonnage, and it seems unlikely that any further disposals will be authorised unless a real scarcity develops. The U.S. has finally agreed to join the new International Tin Agreement that comes into force from July 1, although this decision has yet to be approved by Congress—something which may prove hard to achieve against determined opposition especially during Presidential election year. Nevertheless the U.S. Government's changed attitude to commodity agreements, and its definite decision to sign the tin pact, does suggest that the threat of surplus sales from the U.S. stockpile undermining world market prices is now much more distant. The proposed doubling in the size of the resources available to the buffer stock under the new agreement should also help ensure the maintenance of the "floor" price in future with less recourse to the export cuts, so disliked by both producers and consumers.

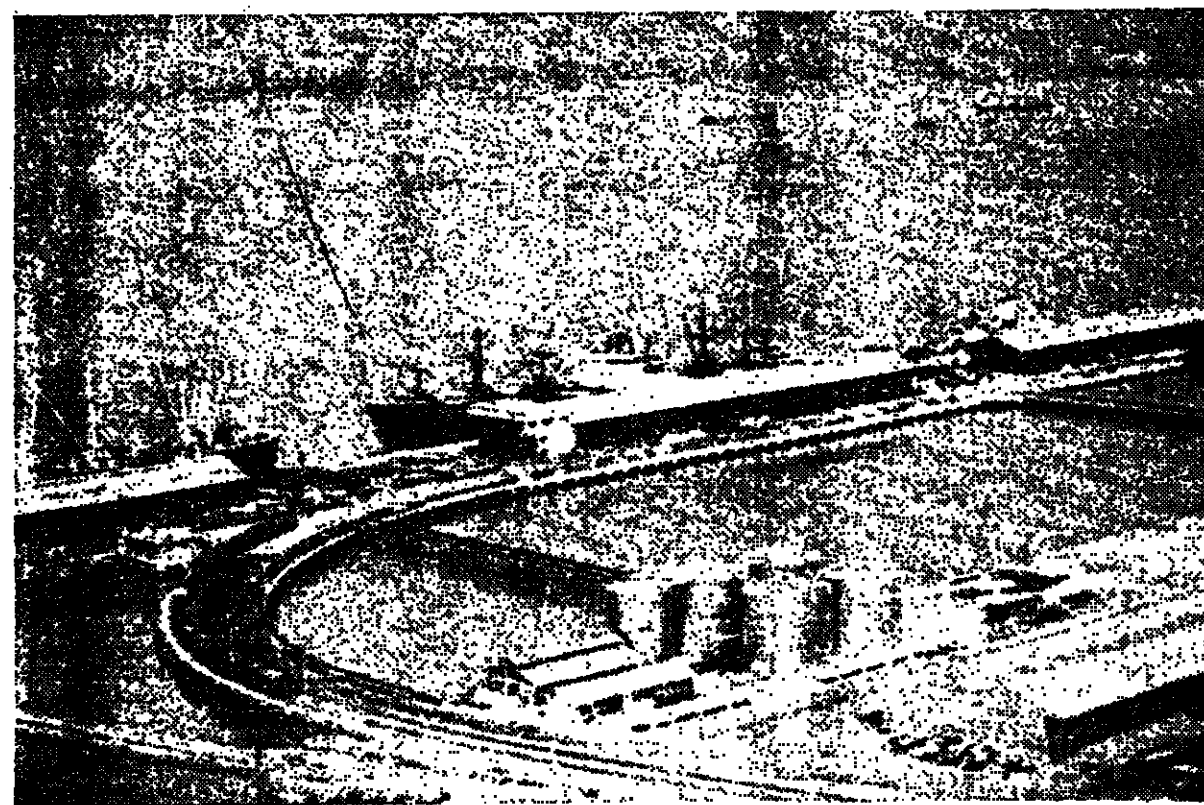
At the same time the increased flow of sales of Chinese tin, which did much to depress prices in 1975, appears to be cooling to an end and sales in 1976 are so far back to the normal lower level. Whether this is a result of the Tin Council's appeal to China to regulate its sales, or whether that the extra tin is no longer available, is not known. But the reduction in sales should help stabilise prices. In addition action against smuggling of "Burmese" tin has helped to reduce supplies from this source. With signs of a recovery

in industrial demand in the two biggest tin consuming countries—the U.S. and Japan—there seems every likelihood of prices reaching much higher levels by this time next year. Indeed many people feel that an acute scarcity of supplies could develop in the not too distant future. Unfortunately part of that belief is based on the fact that production in Malaysia especially will continue to decline as a result of deposits becoming exhausted, cost pressures making many mines uneconomic, and the phasing out of Indonesian tin ore concentrates from the Malaysian smelters in favour of domestic smelting. Disappointing progress, for example, has been made so far with the exploitation of the offshore deposits where the greatest potential for new supplies undoubtedly lies. The development of offshore mining is, of course, that much more costly and out of the scope of the politically important gravel pump mining sector, which is by far the biggest sector.

Substitution

Although Malaysia will undoubtedly remain by far the world's biggest producer of tin, and is expected to play an even more dominant role in the new Agreement, the decline in its production over the past few years from nearly 79,000 tonnes in 1973 to around 65,000 tonnes in 1975 may be difficult to reverse. Higher prices may well attract the increased investment so badly needed even to keep output at its present level. But the inevitable aftermath of higher prices is the encouragement of substitution by rival materials like so-called "tin free steel," aluminium or plastics. While it is true plastics are oil-based, the increased cost of oil has hit production of other materials, including tin, just as hard and there is no reason to believe that there will not be a repeat of the industrial recession suffered in the last two years.

John Edwards
Commodities Editor



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MALAYSIA VIII

With its big interest in the natural rubber market, Malaysia may be forgiven for seeking to establish some form of regulated price mechanism. At the moment, however, the price of the commodity is favourable, making other world producers reluctant to join the campaign.

The price of rubber

MALAYSIA'S RUBBER authorities are somewhat apologetic, embarrassed, and concerned at the slow pace in implementing the plan for the international stabilisation of rubber prices. Officials admit that it is difficult to make better progress while rubber prices, at their current levels, are so good.

And in the first instance, the rubber producing countries were not too keen on the plan, which was put forward by Malaysia 16 months ago when prices were the lowest in many years. Nevertheless, Malaysia is doggedly prodding the plan along.

What is worrying Malaysia is that unless the Association of Natural Rubber Producing Countries (ANRPC) shows more enthusiasm for the plan, it will be difficult to convince countries to join in later stages of the plan.

When prices may then be working in their favour, Malaysia's persistence did get the price stabilisation plan one step ahead when it got the economic ministers of ASEAN countries to endorse the ANRPC scheme, at their Kuala Lumpur meeting recently. It was the first time the plan had been endorsed at such a high level, and considering that three of the biggest natural rubber

producers — Malaysia, Thailand and Indonesia — are ASEAN members, not to mention Singapore, which is a big rubber trader, the ASEAN endorsement was a big psychological boost.

There is a good chance that the plan will be adopted by the ANRPC ministerial council over the next couple of months, and the real test will come then. Implementing the rubber plan will be more difficult than managing the international tin buffer stock, because rubber is a bulky, perishable commodity with many grades, and also the mechanism for the ANRPC plan is more complicated and more difficult to supervise than the international tin agreement.

Basically, the plan calls for the creation of an international rubber stockpile of some 100,000 tons to be purchased and kept by members in proportion to their contributions to the ANRPC budget. At the same time, if the rubber price falls drastically, the member countries would then take individual steps in reducing the amount of rubber to the market by cutting production, or keeping larger stocks (the so-called "supply rationalisation measures").

The rubber smallholders and estate labourers are among those expected to benefit from the Third Malaysia Plan. Their economic problems are staggering. More than 65 per cent. of the smallholders are subsisting on uneconomic lots, and the Government has found out that the poorest of them — those owning less than three acres — have not really benefited from the rubber replanting grants, because they cannot afford to lose part of their income while waiting for the replanted trees to yield.

Unemployment is high among the estate labourers, most of them Indians, as their employers continue to shift to less labour intensive palm oil, and their children find it difficult to get jobs in the towns because of their educational and racial backgrounds.

Those smallholders who have replanted are now getting two

or three times more rubber from their high yield trees. But Government figures on the number of replanted smallholders, and the acreage of replanted rubber, have proved to be suspect following the discovery of a massive corruption racket. Smallholders are given Ringgit 150 in Government grants for every acre of replanted trees, and it has been discovered that replanting officers, land officers and contractors have been swindling millions of Ringgits from the Government by falsifying replanting work done.

So far, the National Bureau of Investigation says it has evidence that at least Ringgit 12m. have been misappropriated, and thousands of smallholders, who were officially recorded as having replanted their trees, had actually not done so. Abuse in replanting grants has been an open secret in the rubber industry for a long time, but the extent of the scandal shocked many people.

To ensure that the smallholder gets a better price, the Government plans to expand its buying activities among them. It was found during the crash programme that when the Government agencies moved in to buy rubber from the small-



Mangling rubber at Kalantar.

holders, the price differential between their quotations and that of the private dealers was as much as ten cents per kilo. At present, the three Government agencies, MARDEC, FELDA and RISDA, handle about 18 per cent. of the smallholders' rubber, but by 1980, 40 per cent. of the smallholders' rubber is expected to be bought, processed and exported through these three agencies. This does not mean a diminution of business for the private dealers, remitters and exporters, as the volume of smallholders' rubber is increasing, but it will provide more competition, and in the process, ensure that smallholders get better prices.

Two groups of Thai and Indonesian officials spent some of the exchange last year, as part of the plan among ANRPC countries to have a co-ordinated marketing system at a later date. However, the exchange experiment of using Chinese ships to counter the high freight rates by the conference line, ended in disappointment because the current glut of shipping space neutralised and the world's foremost rubber market. The Malaysian Rubber Exchange and Licensing Board has liberalised its rules, and now has 143 ordinary members, and 28 associate (that is foreign) members, including some of the biggest British, Japanese and American rubber agencies.

To publicise its activities, the MRELB organised an international marketing conference in Kuala Lumpur last October, and it has recently installed a computer to relay transactions instantly to members. The setting up of a central clearing house is being actively looked into, while an MRELB mission assess the market there, and to introduce the exchange to the Arabs.

The costs of shipping is a matter of serious concern to the rubber industry, and various other alternatives to the present conference line system is being studied, including the possibility of an ASEAN shipping line.

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Timber has for many years made a useful but little publicised contribution to the Malaysian economy. Recession has cut into trade, but the long-term prospects are sound.

TIMBER, AS a commodity, has long been an important contributor to Malaysia's exports, making up a steady 12 per cent. or so of earnings over the past decade. Timber, manufactured into wood products, is beginning to make an impact on the trade figures. The Government has ambitious plans for both.

As to the figures, last year provided a setback because of the continuing recession in the West which up-set demand in the building and construction industries. Production of saw logs fell in 1975 by an estimated 20 per cent. to just over 13m. cubic metres, and production of sawn timber declined by 3 per cent. to 3.5m. cubic metres.

Exports fell further. Earnings from saw logs fell by nearly 40 per cent. to Ringgit 625m., and those of sawn timber by 17 per cent. to Ringgit 335m. The price of saw logs had fallen in 1975 to Ringgit 88 per cubic metre, a drop of 18 per cent. while that of sawn timber fell by 7 per cent. to Ringgit 233.

Quotas

Malaysia's exports of saw logs were also hit because Sabah, which normally contributes more than 80 per cent. of saw log exports, from Malaysia, was affected by the export quotas imposed by the South-East Asia Lumber Producers' Association. Last year, Sabah's log exports were about half of Malaysia's total. In the last quarter, however, the quotas were increased because of signs of a revival of construction activity in Japan, South Korea and Taiwan, the major markets for saw logs. Only loggers from Sabah are affected by the quotas.

Wood products have grown to account for more than 12 per cent. of manufacturing production and 15 per cent. of exports of manufactured goods. The actual figures are still small compared to the major commodities: for example, exports of wood products in 1974 were only Ringgit 235m. Last year was also a bad year for wood products, the production of which fell by 14 per cent. and exports by about 30 per cent. The Government blames the recession in the importing countries.

the U.S., Japan, U.K. and West Germany. Plywood, where exports are normally as high as 80 per cent., was hit because most of them go to the U.K.

Malaysia is anxious that timber should contribute even more to the economy. In an effort to boost the industry, the Government has tried to encourage the use of timber domestically, especially in low-cost housing projects. It believes that this will cut building costs, and is lifting building restrictions on the use of timber for housing. The Government is setting the initiative itself. Twenty-seven built in Kuala Lumpur for Government offices, and in Johore Bahru housing for the armed forces will make great use of timber.

But the main contribution will come from an increase in timber industries. In an optimistic presentation to an official investment conference in Kuala Lumpur in October, Datuk Abdul Taib Mahmud, the Information Minister, said: "Studies by the FAO and others indicate that the forest sector has the potential to make a substantial increased contribution to national growth and that the forests could support orderly development of many integrated timber-based industries covering a wider spectrum of processing."

In Peninsular Malaysia, the Minister said, the current production of 650,000 tons a year could be raised to 8m. to 10m. tons in the next ten years and then to 12m. tons. That could be done by using logs of down to 18 inches in diameter at breast height, as well as using new species of trees. He envisaged at least a doubling in 20 years of the timber based manufacturing industry. Malaysia should be able to make products ranging from kiln-dried sawn timber and veneer to mouldings, furniture components, cabinet panels, higher finished plywood products and composite wood panels and blockboard. He also expected development of particle board, chip-board and paper industries.

Datuk Taib said that in Sarawak timber production could be raised to over 3m. tons

a year, and 12 industrial investment projects, which would together consume 180,000 tons a year, had been identified. In Sabah, where an annual 5.5m. tons of timber is produced he said, "given the extensive timber resources in the State, the scope for further industrialisation based on wood processing is very bright."

Extension

He also expressed great hope for an extension of pine plantations for use by the paper and pulp industry. The advantage of pine is that a yield of up to 50 tons an acre can be obtained in the relatively short time of 12 to 15 years. That compares with 50 or 60 years it takes some hardwood species to mature.

The first problem that Malaysia faces—which Datuk Taib did not touch on—is deciding on its forests which are particularly noticeable in Sarawak, where extravagant clearing on timber concessions has led to removal of prime forests. From the air the State still looks thick and green, but many of the best forests remaining are inaccessible. Most experts think there will have to be a drop in the annual timber yield from Sabah to allow re-afforestation and proper planning of its timber resources. Accessibility is also a problem in Sarawak, where much of the State is covered by marsh and jungle. In Sarawak, too, coastal supplies of Ramin have been exhausted and the wood has to be imported from Indonesia.

In both states of Eastern Malaysia there is, in addition, a lack of experience of wood processing. For example in Sabah and Sarawak 95 per cent. of the wood produced is exported as logs. In Peninsular Malaysia 85 per cent. of the logs are at least processed into sawn timber. The ban on export of 11 species of logs from Peninsular Malaysia has helped to stimulate local processing industries.

Datuk Taib was also probably over-optimistic in his hopes for pine. Tests so far have shown that the pine trees do produce good wood and grow quickly,

but the snag is that the Government is working hard on varieties tested so far have not produced seed, so if it wants to use pine Malaysia must be prepared for the costly and time-consuming business of importing seed or saplings, or must find another type of pine which will produce its own seed in Malaysia.

With these reservations, erosion and shifting cultivation should be able to (The Government is also increase the contribution of studying the question of timber to the economy. The whether to compel private

CONTINUED ON NEXT PAGE

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MALAYSIA IX

Malaysia is among the many countries encouraged to seek for oil following the price bonanza touched off two years ago. But the international character of the oil industry imposes conditions on hopeful producers which are not always easy for an emerging nation to fulfil.

Quest for oil

MALAYSIA IS in the middle of tough oil negotiations with the major international companies, which could have widespread repercussions not only for the country's oil future—though that is important enough—but also for the future of all foreign investment in Malaysia.

There has already been one clash, which provoked Exxon to stop its exploration and development work last May. It has since resumed, but that action alone may have set Malaysia's oil quest back by a year or more. But it did more than that: it set Western foreign embassy commercial sections fluttering and foreign investors wondering if they were safe to come to Malaysia. Official reassurances have been given strongly since, but the oil talks remain a test.

The reason for the foreign anger and concern was an amendment last year to the 1974 Petroleum Development Act, which set up Petrolim Nasional (Petronas), the national oil company. The amendment decreed that oil companies must have two categories of shares. Ordinary shares and management shares. The management shares would be issued only to Petronas and would be at the rate of one management share for each 100 Ordinary shares. Management shares would rank pari passu with Ordinary shares for dividends, and for all other matters except one.

The amendment said: "The holder of management shares of a relevant company shall be entitled either on a poll or by a show of hands to 500 votes for each management share held by him upon any resolution relating to the appointment or dismissal of a director or any member of the staff of the relevant company."

That, said the foreign companies, would in effect give Petronas effective control of any oil company and was tantamount to nationalisation without compensation. Petronas subsequently pointed out that the section of the amendment applied only to marketing and distribution of petroleum and petrochemicals (where Shell and Esso are involved) and not to exploration. Nevertheless, foreign companies saw the clause as an unhappy precedent.

What seems to have happened now is that the disputed clause will be quietly forgotten, though Petronas officials say it will not be deleted. Petronas will take shares in the marketing companies in a more normal way. However, there may be pressure in Cabinet for removal of the clause, particularly from rivals of Tengku Razaleigh, Chairman of the Finance Minister, chairman and chief executive of Petronas, and the mastermind of the Act. His rivals claim that Tengku Razaleigh got the controversial amendment through the Cabinet when the then Prime Minister, Tun Razak, was away, and that he needlessly damaged Malaysia's international reputation and threatened investment.

Interim

For the moment the oil companies, Shell and Exxon, are continuing with the exploration under an interim agreement which gives them 7.5 per cent. of the gross sales plus an undisclosed sum for expenses, although I understand that altogether the companies are getting about 40 per cent. of the gross sales value of the oil. Petronas expects that when the final production sharing agreement is made it will have to pay the oil majors extra for revenue foregone during the interim period which they were entitled to under the production sharing contracts. Under the interim agreements Petronas is earning Ringg. 100m. a month from oil.

Neither officials nor any of the oil companies will disclose the state of the negotiations, apart from saying that the bargaining has been hard. At the final crunch, though, the Malaysian agreements will be similar to the agreements between Indonesia's Pertamina and the oil majors (but probably slightly less favourable to Malaysia). The fact that Pertamina is also trying to get extra money out of the companies makes the negotiations the more tricky. Petronas officials say there has been no collusion with Pertamina in this "hard question of dollars and cents."

The oil off the Malaysian coast is similar to that of Indonesia, that is with a low 0.1 per cent. sulphur content and with an API of between 35 degrees

and 40 degrees. Daily production has been pushed up from less than 100,000 barrels in 1974 to 140,000 today and an expected 130,000 for 1976 and 200,000 target for 1980. As a measure of their inexperience, last year officials optimistically forecast 500,000 barrels a day by 1980. The fields are much easier to get at than those of the North Sea because of the shallower continental shelf, but the finds so far have proved smaller because of numerous faults.

At the moment only two companies, Shell, with companies in Sarawak and Sabah, and Exxon are bringing in oil: six others including Mobil, Conoco and Agip have been given concessions and there are other areas still to be let out. Even by 1980 only Shell and Exxon will actually be producing oil and Shell, which has longest experience of Malaysia, will continue to dominate the market. In 1974 Sarawak Shell was producing 87,000 barrels a day and Sabah Shell 13,000, against not quite 4,000 from Exxon. Malaysia also last year produced 370m. cubic feet of natural gas, of which 350m. cubic feet, oil from Sarawak Shell, was for commercial use; the rest was used internally for lifting crude or burnt off.

Its oil discoveries have already made Malaysia a small net oil exporter and made a considerable contribution to export earnings. Because of its sweetness Malaysian oil commands a premium over Middle East oil. For the same reasons Malaysia imports considerable quantities of heavier duty oil from the Middle East, mostly from Saudi Arabia and Kuwait. Last year, for example, imports were 19m. barrels and exports 24m.; by 1980 Malaysia hopes to export 44m. barrels a year. Just under half of the oil goes to Japan and the rest to Singapore (just under 20 per cent.), Thailand (15 per cent.), the Philippines (15 per cent.) and the U.S. Export earnings last year from crude and partly refined crude were estimated by the Treasury at Ringg. 734m. Given higher production and more downstream processing, Malaysia hopes its oil earnings may well come to rival the traditional agricultural and mineral commodities like rubber and tin.

As for Petronas, the company is in its infancy. It started late in 1974 charged with "the entire ownership and exclusive rights" to all oil and gas found in Malaysia. It started with just eight people, a chairman and seven clerks and office boys. It has now grown to 50 executives and 60 others, but there is not as yet a great wealth of oil experience. Tengku Razaleigh Hamzah, the chairman and chief executive of Petronas, is now Finance Minister and is expected to be replaced by the Chief Secretary to the Government, Tan Sri Kadir Shamsuddin who is retiring as head of the Civil Service. But there is some doubt as to who will conduct the final negotiations with the foreign companies. Foreigners would probably feel under less pressure if Tan Sri Kadir were in charge.

Interesting in view of the kind of difficulties which have beset Indonesia's Pertamina. Petronas was created subject to the direct control of the Prime Minister. The Act states that the "Corporation shall be subject to the control and direction of the Prime Minister, who may from time to time issue such directions as he may deem fit (and) the direction so issued shall be binding to the corporation." The choice of Tan Sri Kadir would probably mean a less adventurous future for Petronas and one safely confined to oil activities.

Proviso

With that proviso Petronas should have plenty of room for operation, and plenty of money. Of the oil money 5 per cent. each will go to the State in which (or off whose coast) the oil is discovered and to the Federal Government. After the cost of production has been deducted and the international companies have had their split—probably a two tier split on a 70-30, 85-15 basis in Petronas' favour—the rest is left to Petronas, subject to a 50 per cent. income tax.

The company is still trying to work out its future programme. Officials said they were interested in plans to build a 6m. tons annual capacity liquefied natural gas plant at Bintulu in Sarawak. The proposal for the plant costing S.U.S.1.2bn. was first made by Shell more than three years ago, but has been delayed by squabbles between the various Governments.

Petronas expects soon to appoint a team of consultants to carry out a masterplan for the short term to 1985, and then to the year 2000. When the consultants are appointed their study is expected to take a year, so it will be at least that long before Petronas begins to get into its stride. But both it and Malaysia will be much more blessed with oil money than in the old days when they got an average 8 per cent. royalty payment from the international companies on the old oil concessions.

K.R.

Kevin Rafferty

Timber

CONTINUED FROM PREVIOUS PAGE

loggers to do their own reforestation programmes.

The country's Timber Board has been giving attention to some problems of exporting. It is looking at allegations from the Middle East that Malaysian exporters had been backing out of contracts when the price changed against them. Another is to try to improve shipping facilities for exports to the Middle East and East Africa. The board is trying to coordinate space bookings to the Middle East in the hope of

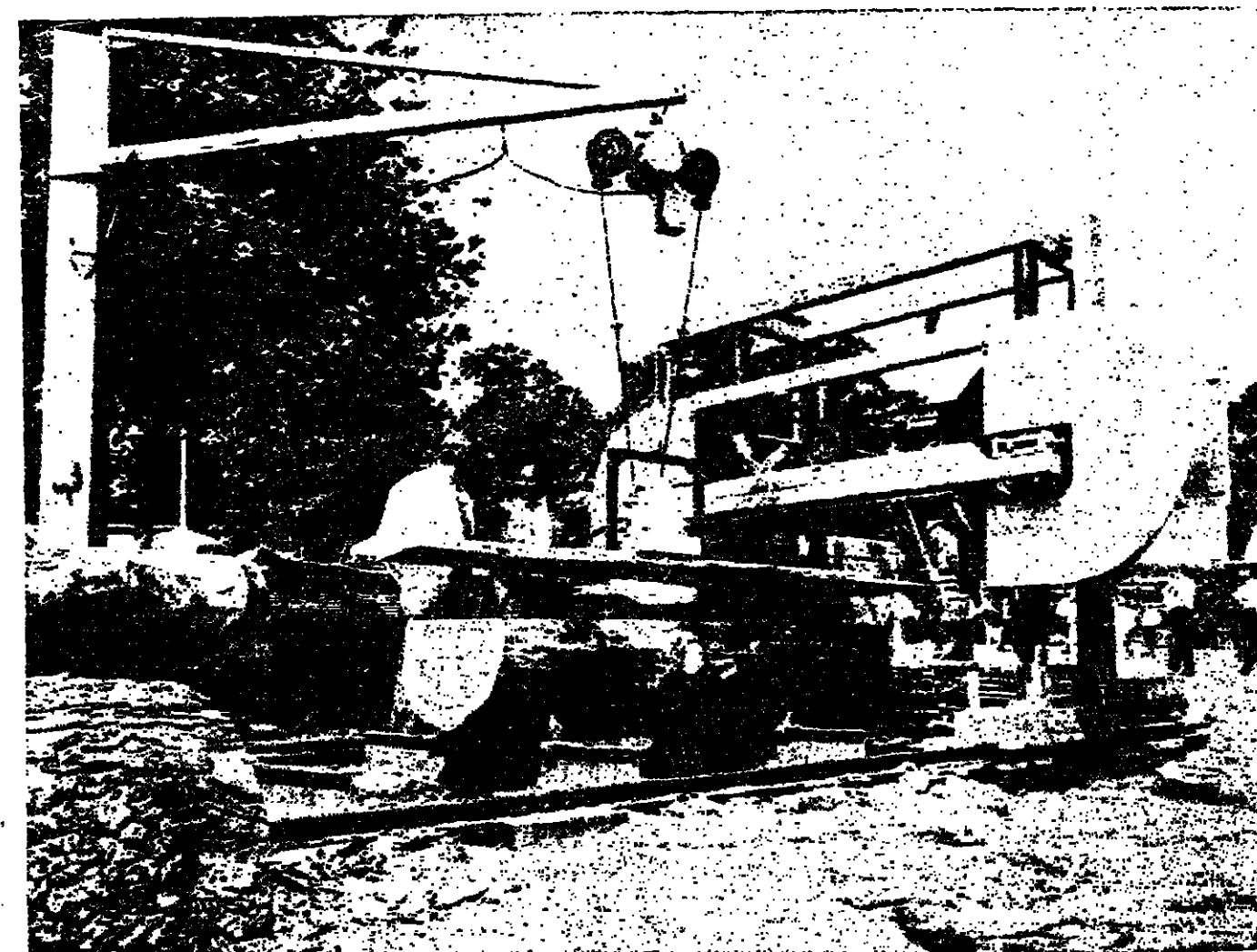
gaining both more regular services and lower freight rates.

New Zealand experts have also been asked to conduct a Ringg. 1.5m. survey in the west into the end uses of timber. This is because at the moment only about six of nearly 50 commercially viable varieties of trees are being exported. Malaysia and the other countries of the region are anxious to see whether they can encourage the use of new species of trees.

Another experiment which

might prove profitable is the use of old rubber trees for timber.

Rubber wood is used in Malaysia for wood chips, and for use in furniture components and block-board. Officials believe it would also be suitable for wall panelling and parquet flooring. If the research into rubber proves viable, given that Malaysia has 4.5m. acres of rubber which are replanted every 20 to 30 years the country could have an extra 3m. tons of timber a year.



A Forestor machine aimed at reducing the time taken to saw logs which is on display at this week's British Technology for Malaysia exhibition. It is made by Forest and Saucmill Equipments (Engineers) of Wandsworth, London.

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Points worth noting about Malaysian timber.

Point: The Malaysian timber industry is one of the most developed in the world, with a long history of export and a growing reputation for quality and reliability. The industry accounts for 10% of Malaysia's GNP and employs over 100,000 people. The industry is also a major source of foreign exchange for the country.

Point: The industry is highly organized, with a strong association between the government and the private sector. The industry is also highly competitive, with many companies vying for the best prices and quality.

Point: The industry is also highly innovative, with many companies developing new products and processes. This has helped the industry to maintain its position as a leading exporter of timber.

Point: The industry is also highly environmentally conscious, with many companies implementing strict measures to protect the forests. This has helped the industry to maintain its reputation for sustainability.

Point: The industry is also highly socially responsible, with many companies investing in community development projects. This has helped the industry to build strong relationships with the local communities.



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هكنا من الأشجار

MALAYSIA X

The country's leaders and...



◀ **Tengku Razaleigh Hamzah**

Tengku Razaleigh Hamzah has the widespread reputation of being "the Father of the Bumiputera Economy." If that suggests someone elderly with his life already behind him, then he is precisely the opposite. In bearing, outlook and career prospects, he is also Malaysia's "whizzkid."

Still a week short of his 39th birthday, Tengku Razaleigh is today his country's Finance Minister; and he has not yet relinquished posts as chairman of Petronas, the national oil company, and of Pemas Securities. He is a vice-president of the ruling United Malays National Organisation and many tipsters will be bitterly disappointed if he does not become Prime Minister before too long.

He is the son of a former chief minister of Kelantan State. He graduated with an economics

degree from Queen's University, Belfast, and then went on to read for the Bar at Lincoln's Inn, but was summoned home on the death of his father without being called.

He pitched into politics on behalf of the UMNO when it was in opposition in Kelantan. He quickly came to the attention of Government leaders as a man of intelligence and energy. But he really made his mark with Tun Razak, and when the Tun became Prime Minister in 1970 his career took off.

Mission

In 1970 he was promoted to chairman of the Bank Bumiputera, which the Government is encouraging in the hope of building a strong Malay Bank (the largest local banks are run by Chinese). He also became chairman of Pemas, a body set up by law in 1969 but largely inactive until Tengku Razaleigh came on the scene. He led a trade mission to China in 1971 and secured for Pemas a monopoly on trade with China. He used the Pemas group as a means of gaining greater bumiputera control of the economy by buying other companies. When Malaysia decided to set up a State oil company he was made its head. In 1974 he became a vice-president of UMNO. Since 1970 his record has been of one success after another.

But he has critics, who have their doubts about him. They accuse him of being slapdash and being in too much of a hurry. This trait came to the

fore in his abortive negotiations to link Pemas with Haw Par, a simple, confidential telephone call to the Singapore authorities should have told him how close Haw Par was to official action there. Foreign commentators are particularly critical of his handling of the oil companies. His plan (now quietly set aside) for a new category of management shares led to outcry from the companies that he was seeking underhand nationalisation without compensation, caused Exxon to stop exploration, may have set Malaysia's oil search back by a year or more and damaged its reputation with international investors.

That kind of confrontation, of course, only endears him to the majority of Malays who feel reflected pride when they see Tengku Razaleigh measuring up to and seeing off the great oil majors. That same behaviour also sets the Chinese on edge, though, and may not be good for racial harmony.

But Tengku Razaleigh also has his opponents among the ruling bumiputras. A number of ministers were unhappy with the damage to Malaysia's reputation done by the oil episode, as they feared that much needed foreign investors would shy away. Some influential Malays even say that Datuk Hussein had to appoint him to a senior Cabinet post because he was an UMNO vice-president, but has nearly boxed him in by creating a minister without portfolio within his own department to oversee financial matters.

K.R.

▶ **Tun Mustapha**



TUN MUSTAPHA, of Sabah, is one man whose name evokes strong and conflicting reactions. A Federal Malaysian Minister says this of him: "He has such a powerful personality that it is difficult to be objective about him. You either love him or hate him." And over the years the myths and the facts about the man have merged.

Tun Mustapha was born 58 years ago in the Kudat area in the northern tip of Sabah, and asserts he is related to the Sulu Sultans (as indicated by his title "Datu"), but his detractors pour cold water on his claim. He is a self-made man. A member of the Tausug tribe, the fiercest of the Suluk groups, he started as a house boy at the age of eight with one of the then British residents. After two years of education, he moved on to be an office boy, and then as Opium Clerk under the British in those days, and opium licences were a major source of revenue.

During the Second World War, Tun Mustapha showed his leadership potential. He fought the Japanese as a guerrilla leader in the Sulu, and attended the victory celebrations in London. Promotion to Native Chief came in 1951, and as the Malaysia merger was taking shape, he was cultivated by the British and Kuala Lumpur authorities as a Sabah

leader. He went on to found and he does not deny his the USNO party in 1961: love for attractive women. His became Sabah's first governor wealth is indeed immense, and in 1963, but soon got tired of has been variously put at anything between 50m. ringgits and to fight the State elections in 500m. ringgits (£10m. to 1967, defeating his arch-rival, £100m.). He spends a great deal of time overseas—London, the Middle East and Hong Kong—but he keeps in close touch with what is happening on the ground in the State. He has a notorious temper, and civil servants and party officials have been seen literally trembling before him when he is in one of his fiery moods.

Tun Mustapha's indulgence in high living is well documented

Religious

Politically, he projects himself as the champion of Islam, and his United Sabah Islamic Association claims success in converting 100,000 Sabahans, although his methods have brought cries of religious persecution from Christian groups.

At various times in the past five years, Tun Mustapha has toyed with the idea of becoming Sultan, or taking Sabah out of Malaysia. A wide circle of West Malaysian politicians and royals have loyalties to him, and given a fair chance, he could have a go at the Prime Ministership. Tun Mustapha resigned from the position of Sabah Chief Minister in October, but no one who has been in the state doubts that he still runs the show. With his victory at the current State elections, almost assured, the 700,000 Sabahans will have to live with his authoritarian rule for quite some time. Tun Mustapha does not deny he is a dictator. "As far as I am concerned, whether one is a dictator or not depends on whether those opposing me are brave men or cowards," he says.

K.R.

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Tengku Arif Bendahara Pahang ▶

Being a prince of the royal blood means that Tengku Arif Bendahara Pahang can hardly claim to be merely an average businessman. But he insists that his title gave him no special privileges.

"I started off ten years ago by buying 1,000 acres of land for Ringg, 15,000 in three instalments," he told me. Yet to-day there is no gain-saying his success. The Tengku has a reputation as the leading Bumiputera (Malay) businessman, and is known as prince, banker, industrialist and sportsman. His fortune has expanded into assets worth between Ringg. 30m. and 40m. (up to £3m.) on his own calculation. His more than a dozen companies employ more than 2,000 people and have interests in building and construction, motor assembly, hotels, timber, logging and wood products, oil and publishing. His own concerns have links with companies from the U.K., India, Hong Kong, Canada and the Middle East, including Taylor Woodrow, Tata and Macmillan Bloedel. The holding company, Tab Holdings, has the Tengku as chairman and he and his wife as sole directors. The Tengku is also chairman of the United Asian Bank.

He was born in 1938 as His Royal Highness Tengku Ibrahim ibni Al-Marhum Sultan Sir Abu Bakar, the son of the Sultan of Pahang. Because of the Japanese occupation he did not start school until he was 10 and his early ambition was the army. He went to Sandhurst, was commissioned, and later fought in jungle operations in Malaya and Sarawak against Communist terrorists.

Business

He became Tengku Arif Bendahara, a post in the Pahang royal household, in 1964, and moved into business two years later. Land was being offered to bumiputras. He was not eligible as a Government servant, but bought the 1,000 acres of forest from his sister. He wanted to give a lead to his fellow bumiputras. After 10 years of hard-driving success the Tengku is consolidating his companies. He has recently installed Dr. K. S. Nijhar, who has a reputation as one of Malaysia's best economists, as group general manager of Tab Holdings. The aim is that the Tengku should be allowed to sit back and think and plan what next.

P. P. Narayanan ▶

P. P. NARAYANAN, the president of the Malaysian Trade Union Congress, is not only the country's most prominent union leader, but also a budding capitalist with a bank, rubber plantations and a textile mill under his control and plenty of ambitious plans for expansion of his empire. He tells the story himself: "When the bank was being opened, the Prime Minister came up to me and said: 'I think I can call you a capitalist.' I replied, 'If I were not I would not know what the — were up to.'"

It fits in well with the personal philosophy of the 53-year-old Mr. Narayanan that the National Union of Plantation Workers, of which he is full-time general secretary, has set up the Malaysian Workers Bank, the National Multi-Purpose Co-operative Society and the Great Alonioners Trading Corporation which runs the textile mill in a joint venture with the Indian Lakshmi Textile Exporters group and has plans for a daily newspaper and container and viscose making factories — as a start.

For too long the unions have left nation-building in the hands of the politicians," he told me. "In Africa, Latin America and Asia, in all three continents the majority of people live in the rural areas and are poor. We must identify with the poor people and with the aspirations of the poor man." Mr. Narayanan himself is not identified with Malaysia alone. Last year in Mexico he was chosen as the first President of the Third World of the 99m. strong International Confederation of Free Trade Unions, which previously had politics and little on union business. In India, he says, "the from the white, developed politicians have divided the country. Palaraj Pathapurayil Nataraj divided the politicians."



nan, or P.P. as he is universally known, was born in Madras (now Tamil Nadu) state in India, but came to Malaysia when young. He first came into trade union organisation 30 years ago when he and ten friends met secretly to form the Negeri Sembilan Indian Labour Union, a union for a jumble of workers including goldsmiths, miners, railwaymen, cigar and plantation workers. The union eventually dropped the non-plantation workers and is to-day Malaysia's biggest union with 146,000 of the country's 300,000 union members (official figures say that total employment is about 2.5m.).

All along Mr. Narayanan has shunned politics and concentrated on economic matters. He is critical of trade unionists who dabble in politics and end up spending most of their time in politics, which previously had little on union business. In India, he says, "the from the white, developed politicians have divided the country. Palaraj Pathapurayil Nataraj divided the politicians."

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K.R.

MALAYSIA XI

... their roles

Tun Tan Siew Sin

Tun Tan Siew Sin quit politics in frustration in 1974 after 15 years as Malaysia's Finance Minister and president of the Malaysian Chinese Association. He had been by-passed as Deputy Prime Minister. However, he has since re-emerged in business and is now tipped to become the chairman of Sime Darby.

As Financial Consultant to the Government, his words still command considerable respect. Tun Tan, 60, comes from one of Malaysia's oldest and most distinguished Chinese families (because of their long residence in Malaysia the *baba*, unlike other Malaysian Chinese, have come to use the Malay language in their daily life).

After a short stint as Minister of Commerce and Industry, Tun Tan took over the Finance Ministry in 1969 and held it until 1974. Sometimes criticised as being too conservative and orthodox in his budgetary and monetary policies, he nevertheless earned the respect of his Cabinet colleagues and business community for his skilled management of the economy. As Finance Minister, his biggest

decisions involved the severance of the financial and economic link between Malaysia and Singapore, which he said were inevitable because of political separation.

As a politician, he was less successful. He left the Chinese with a leadership vacuum when he quit politics and they also lost the Finance Ministry—the most important portfolio they had had all along.

Bleak

Tun Tan now heads about a dozen companies, including United Malacca Estates, which owns some 20,000 acres of rubber and palm oil in which his family has always had a majority interest. He is also on the Board of Sime Darby, Charter Consolidated, and Highlands and Landings.

The former MCA leader is pessimistic about the future of the Chinese in Malaysia. "The Chinese are too short-sighted," he says. "Many still have not realised that there is no future in the traditional family business. They are not interested in politics but politics is interested in them. Their future is bleak if they remain politically apathetic and disunited."

W.S.

Datuk Tan Chin Nam

THE STORY of Datuk Tan Chin Nam, 59, Malaysia's biggest housing developer and house owner, is a typical story of a Chinese who had made good through sheer hard work, perseverance and thrift. He was born in Selatun in 1926, the sixth child in a family of ten. His father, a migrant from China, was a fairly prosperous rubber trader, but lost his fortune during the 1929 rubber slump.

The family then moved to a small house and had to take in school ladders to make ends meet. Datuk Tan's education at the Victoria Institution, the premier school in Kuala Lumpur, was interrupted by the war, and his family fled to Klang, 20 miles away, where they cleared land and subsisted on vegetable farming during the Japanese occupation.

After the war, Datuk Tan moved to Penang, where he worked at various odd jobs (11 worked 18 hours a day during those years) until he was able to save up Ringgit 3,000 to start a business in 1947. His first venture was in the import business—supplying vegetables from

Indonesia to the British Army. It prospered, and he branched off to new sugar and flour distribution and later to housing. He helped in setting up the Bangkok Bank in Kuala Lumpur in 1959.

He now runs three housing companies—Ippoh Garden, Petaling Garden and Negara Properties—the last one being a joint venture with the Selangor State Economic Corporation to build 9,000 houses outside Kuala Lumpur.

Datuk Tan, who is the president of the Housing Developers Association, admits that Malaysia faces an enormous housing problem. The solution, he says, is for the Government to allow for a higher housing density in certain urban areas, and to open up more land for housing. His companies have partnered the Government on a pilot project to build low-cost houses, but with the death of Tun Razak, this partnership may come up against bureaucratic hurdles.

Datuk Tan is well known in Malaysian and Australian racing circles, and is part-owner of the horse, Think Big, which won the Melbourne Cup in 1974 and 1975. He is hoping for a hat-trick this year.

W.S.

Ungku Abdul Aziz

UNGU ABDUL AZIZ, as vice-chancellor of the University of Malaya, has one of the country's toughest jobs in administering the Government orders which last year disbanded all student organisations, and stemmed on political activity and demonstrations in the universities.

He admits the present regime is "hard on students who have known the previous freedom" but believes the restrictions are being justified by results. "We find that students are studying more. The library was full in the first term, and it had never been full before. The exam results are better."

He stresses the problems of adjustment faced by many students from poor homes in outlying districts.

His own academic career is distinguished with a string of

teaching and administrative "firsts"—first Malay university lecturer, first Malay professor of economics, first Malay dean, and then first Malay university head. He chose academic life rather than politics because "One should know things better before deciding what should be done. Why, for example, were the Malays poor? If I had become a politician I would not know the answers."

Students

He says his personal relations with students are good. He has been a friend of some of the students now under detention and has stood during demonstrations with students, under tear-gas fire, trying to negotiate with the police for them. In the university he pursues an "open door" policy and is willing to argue and midnight with a student who feels aggrieved.

W.S.

Dr. Mahathir Mohammad

DR. MAHATHIR MOHAMMAD, the Deputy Prime Minister of Malaysia, must be the only such charismatic leader in the world whose major work is based in his own country. In 1966, the then Prime Minister Tun Abdul Rahman, named Dr. Mahathir's book, "The Malay Dilemma," on the grounds that it was racist and kicked him out of the ruling UMNO party.

For his part, Dr. Mahathir spent three years in the wilderness before being readmitted to the party. But this year he has come bouncing back. There were audible gasps of astonishment when Prime Minister Deputy Hussein Onn last month announced his choice of Dr. Mahathir as his deputy.

Choice

He was the most junior Cabinet Minister and had only been a Minister of Education since September 1974. He had preceded over Tan Sri Gohar Shah, the Home Minister and the man thought to have been Datuk Hussein's official choice. And over all his second choice, Dr. Mahathir, who is 50 years old, was named as the Deputy Prime Minister.

Dr. Mahathir, who is 50 years old, was named as the Deputy Prime Minister. He is a former Indian and

he may have two or three spoonfuls of Indian blood in him. He qualified as a medical doctor and has worked in both Government and private practice. His involvement in politics dates from the days when the British were ruling Malay, but "The Malay Dilemma" shot him to prominence and raised him the reputation of a Malay "ultra." This he denies.

He explained what he had said in his book: "There are a number of races in this country and they are not equally developed. It is necessary that the Government should initiate steps to see that the races can achieve parity in all fields. The idea that the Malays should be the clerks in Government service, that the Chinese should go into business and the Indians into rubber is too simplistic to be acceptable in any community."

Dr. Mahathir has the satisfaction that, though his ideas have been accepted by the Government as the foundation of its development policy, he and he was pleased that progress was being made. He had the opportunity to return from primary school to university, and had been kept in the school for a period of time, and he was

W.S.



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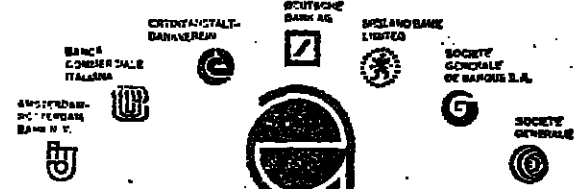
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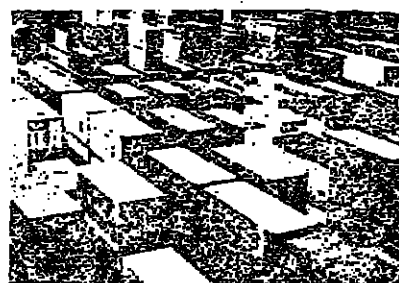
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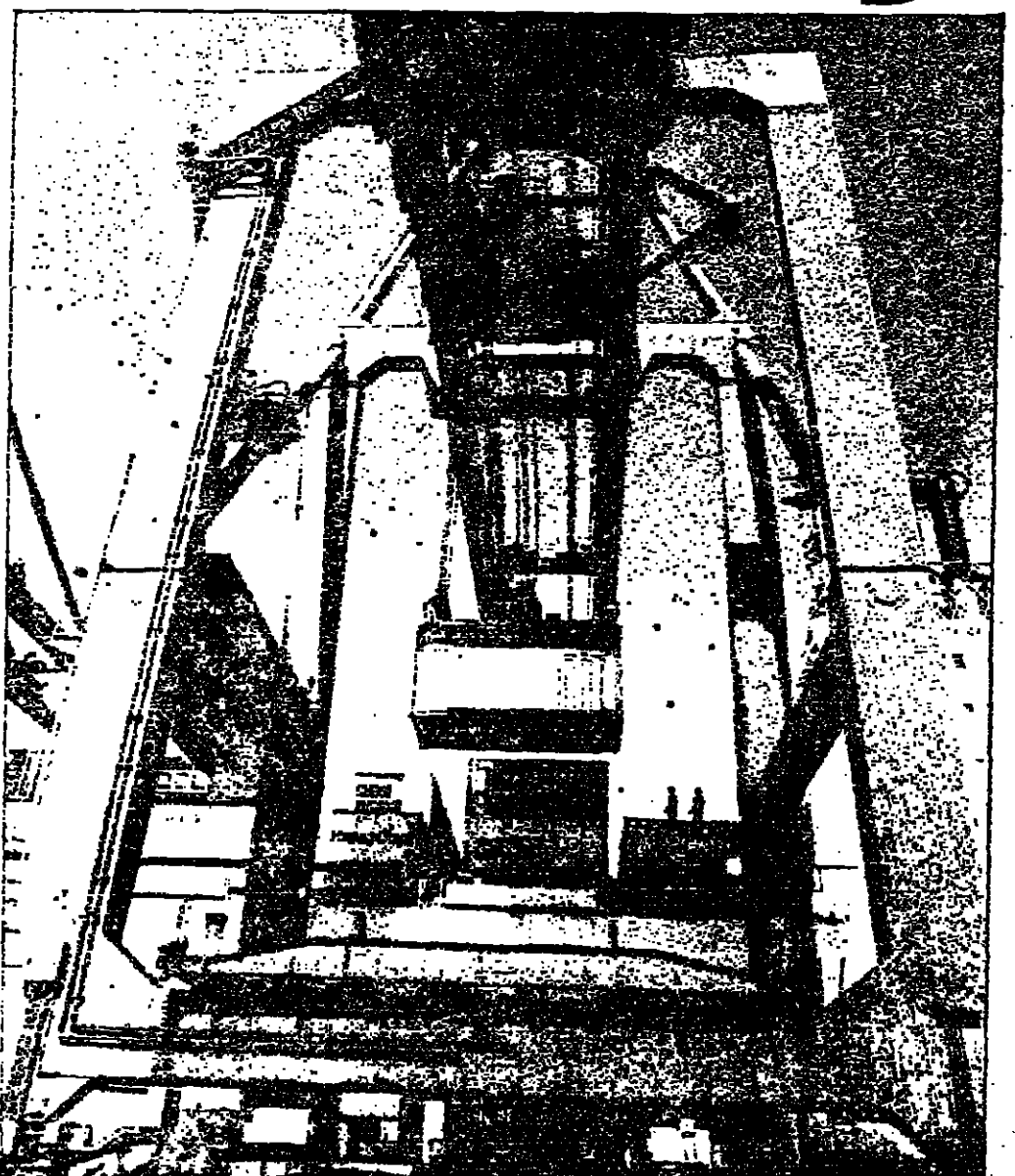
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MALAYSIA XII

A great part of Malaysia's social problems lies in marrying the needs of the large sector represented by the out-of-town population with those of the urban sophisticates. This is something which the Third Plan has to tackle alongside its economic objectives.

The Plan and the people

Ungku Aziz, the Vice Chancellor of the University of Malaya, heard that one student about to graduate wanted a few more tickets for the graduation ceremony for his friends from his home village: so the Vice Chancellor invited the whole village to come. So down they came from rural Perak to Kuala Lumpur, a splendid charabanc ride. They saw the ceremony. They went into the hostel to have some food, the same sort of food that the students ate the whole time. But they refused to eat a crumb. Ungku Aziz asked why. He was told in tears that the village had had a lovely day and they had never before seen such an array of dishes and all on fingers follow along the lines, so many dishes and they did not know where to start.

Chronicles of university life illustrate the gulf in Malaysia between city and village. When the young, intelligent, poor student arrives for his first day at the university he finds many things strange and upsetting. According to Ungku Aziz: the poor village boy coming to university "has never really seen a girl's thighs before yet there they sit in miniskirts. He hears noise. He sees Malays who pray and he sees Malays coming back drunk."

He goes to his economics lecture and the lecturer expounds his theory and refers to the latest issue of the Economic Journal and says there is no point in him wasting time repeating it as they can all read it in the EJ in the library. So the student goes to the library and gets out the EJ and he sits there looking at page one and his eyes and his fingers follow along the lines, so many dishes and they did not know where to start.

Topical

Such small examples from the life of a university student may seem trivial and irrelevant to the large question of Malaysia's third five-year Plan which is to be launched in the summer. But they are in fact highly topical and relevant. They suggest several things: that the Government has begun to make inroads and to pull some of the underprivileged Malays from poverty; that there is an enormous gulf

between the city and the village; and that the villages and villagers are still very poor. The Third Plan comes after the conclusion of ten years of successful Malaysia planning, at least in global terms. Growth in Gross Domestic Product over the last five years has exceeded the 7 per cent a year target; over the individual years the growth rates have been 7 per cent in 1971, then 6.4 per cent, 12 per cent, 7 per cent, and 3.5 per cent last year.

But for Malaysia global growth is not sufficient. There is also the vital task of restructuring society. Historically, although the Malays and other indigenous people of Malaysia make up a majority of the population they have had nowhere near the same share of ownership of business, finance and industry. Those fields have been controlled by the foreigners, notably the British with domination of the mines and agricultural plantations despite being

a tiny percentage of the population, and by the Chinese, who are about 37 per cent of Malaysians.

Doubtful generalisations have been made about how the Malays were happy to work, or even to fall asleep, in their Kampongs (villages) growing padi, how commerce and banking suited the Chinese, how plantation work and drinking toddy was what the Indians like best, and how the foreigners were best at running the plantations, mines and big industry.

Just how different from the country's racial pattern was its commercial ownership pattern was revealed in 1970 when the Government produced figures showing that foreigners controlled 61 per cent of the total share capital of all limited companies that the Chinese owned 21 per cent and that the Malays were left with a mere 1.9 per cent. (The figure gave a distorted picture to the extent that they dealt only with limited



Fishermen in Trengganu State repairing their boats.

companies). Immediately the Government laid down an outline perspective plan under which by 1990 the Malays would own and manage 30 per cent of industrial assets, the Chinese 40 per cent and the foreigners the remaining 30 per cent. The report stressed that assets would not be taken from the

foreigners, and in fact in jobs to be had at 1990 terms by 1990 their assets would be worth five times as much as in 1970.

The Government's New Economic Policy presented twin aims thus: "the eradication of poverty among all Malaysians, irrespective of race, and the restructuring of society to eliminate the identification of race with economic function and geographical location, in the context of rapid economic growth."

Progress so far has only proved the nonsense of the old generalisations. Malays have been encouraged to enter business, banking and industry and have done so successfully. Malays have successfully joined the universities and graduated. The University of Malaya, the premier institution now has nearly half its roll of 8,500 students Bumiputras (Malays and other indigenous peoples) and about 1,500 are the really poor sons and daughters of fishermen and peasants. The Government has built roads, opened schools, and developed land resettlement schemes. The schemes of the Federal Land Development Agency (FELDA) particularly for palm oil have helped provide a better life for about 200,000 people.

Dr. Mahathir Mohamad, the Deputy Prime Minister, gave a vigorous defence of the Government's achievements in providing opportunities for the Bumiputras. He suggested that the very achievements had led some critics to "discover" poverty. "Poverty was still there at the time of the British, but nobody built roads into the remote villages to look." He admitted that there were problems especially because some Bumiputras expected wealth to be put into their hands without any effort on their part. "It is rather like dealing with a man drowning in the river," the Deputy Prime Minister said. "If that man can swim it is all right because you can point to him where he can go to safety. But he has to prepare himself to swim."

Tun Razak thought you brought in the nology to the peasants would cure all. But of course, may be simply a matter of time. It will take time before there is tradition of university-going in poor Malay families; in the meantime the university with the help of money from the British Council is arranging crash courses in English to allow Malaysians to read standard texts; it is also allowing Malays a pre-faculty year. It will take time to establish a scientific tradition and in the meantime Malays at poor schools will have to do the best they can in schools which have, say, one microscope per class while the rich Kuala Lumpur schools have one per five pupils.

Others are the result of distortions of policy. There are good reasons for doubting what impact the new policies have had on the really poor in the rural Malay villages. The official Treasury Economic Report issued in 1974 suggested that the poor had become relatively poorer since independence. Impressions out in the countryside would tend to confirm that.

In the typically Malay States where there are few Chinese, such as Kelantan, Trengganu and Pahang, there is poverty, primitive methods of agriculture, desperately poor fishing communities and not much sign yet that the Bumiputra policy is beginning to pay dividends. True, this is not the starvation level poverty of some countries to the West but it is a far cry from the Bumiputras of the capital who have got rich quick.

Another sign that the big breakthrough has not yet been made is that the squatters' colonies on the backside of Kuala Lumpur, out of sight of the swish, newly built highways, is growing. Latest surveys put the number of squatters at 200,000 or more than 20 per cent of the population of the Kuala Lumpur Federal Territory. The typical squatter has come to the city because he could not find work in his village. In the capital there are

Most of the squatters are rich in homes are not bash out of odd orange b those of squatters. But many is have decently homes and many is have radio sets and bicycles. But sanitation in the KUAL squatter colonies and research stu shown that the chil colony do less wel more likely to be than normal children

Critics accuse the Government of paying attention to bring Bumiputras in the business and in h and not enough int patient and demand looking after the m Bumiputras. After a tician starts demand Bumiputras should cent of the business not in 1990 but by latest, the easiest- him up may be to g share. The real ju Bumiputra will is because they have t do making their livh

Experts like Ungk have made detailed the problems of underdevelopment, s essential need is i the administrative s says "the Govern failed to deal with e before bringing in a logy." As a result it the rich to gain t benefits of the new

Tun Razak thoug you brought in the nology to the peasants would cure all. But of course, may be simply a matter of time. It will take time before there is tradition of university-going in poor Malay families; in the meantime the university with the help of money from the British Council is arranging crash courses in English to allow Malaysians to read standard texts; it is also allowing Malays a pre-faculty year. It will take time to establish a scientific tradition and in the meantime Malays at poor schools will have to do the best they can in schools which have, say, one microscope per class while the rich Kuala Lumpur schools have one per five pupils.

Others are the result of distortions of policy. There are good reasons for doubting what impact the new policies have had on the really poor in the rural Malay villages. The official Treasury Economic Report issued in 1974 suggested that the poor had become relatively poorer since independence. Impressions out in the countryside would tend to confirm that.

In the typically Malay States where there are few Chinese, such as Kelantan, Trengganu and Pahang, there is poverty, primitive methods of agriculture, desperately poor fishing communities and not much sign yet that the Bumiputra policy is beginning to pay dividends. True, this is not the starvation level poverty of some countries to the West but it is a far cry from the Bumiputras of the capital who have got rich quick.

Another sign that the big breakthrough has not yet been made is that the squatters' colonies on the backside of Kuala Lumpur, out of sight of the swish, newly built highways, is growing. Latest surveys put the number of squatters at 200,000 or more than 20 per cent of the population of the Kuala Lumpur Federal Territory. The typical squatter has come to the city because he could not find work in his village. In the capital there are

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ما كان له الأصل

SOCIETY TO-DAY: SOUTHERN AFRICA

BY JOE ROGALY

What the West must tell Mr. Vorster

WESTERN PRINCIPLE in Southern Africa is a vital, for the West's own sake. This has little to do with whether or not our own "kith and kin" find a way of living in peace with the Africans, or even with whether or not the seas around the Cape of Good Hope become a pond for the Soviet Navy. The really important matter at stake is one of political morality — and the fact that this has to be mentioned with a fumbling apology and a slight blush is in itself evidence of the fundamental weakness of the West in standing up to forces whose motive power is a burning ideology (for Communist imperialism).

For Britain, America, and other Western countries will have to make several decisions about Southern Africa this year. Every one of them is likely to involve a moral dilemma. How much support shall be given to Mozambique? What must be done if there is a massacre of whites in Rhodesia? Should the first "bantustan" — the "bantustan" — be recognised when South Africa proclaims it "independent" in October? What is to be said to Mr. Vorster, the South African Prime Minister, if he calls for support from the West against further armed incursions by Cuban troops?

It is no use pretending that there is an easy answer to any of these questions; this is all the more reason why the British and U.S. Governments should begin to prepare public opinion for them now. Some will insist that Britain should have very little to say, since its power is so minimal — but it still has a strong influence in parts of Africa and in the U.S., where Senators and State Department officials alike continue to listen hard to the British point of view on Southern Africa.

Britain's diplomatic role in the area is of some importance for two further reasons. Until the Presidential election in the U.S. is over it will be difficult to get major decisions out of Washington unless they are forced upon the Americans by events beyond their control. There is no reason why the debate among Western nations should be left in limbo for the whole of the lame-duck year in America. Britain's qualifications for taking part in such a debate are that (a) it is still technically the sovereign power in Rhodesia; (b) a large part of the white Rhodesian population was originally British while the smaller half of the South African white population is still at least English-speaking; (c) in South Africa residual ties of history, culture, trade, law, and even constitutional method persist; (d) just about every major U.K. company has a stake in the Republic.

Muscle

This is not to say that influence should be confused with power. If there is to be hard action on any scale — in the form of aid, or assistance to one side or the other, or global diplomacy designed to convince, say, the Russians that further intervention would cost them too dearly — then it is the Americans who will have to provide the muscle. But this is no reason for the British, whose responsibilities persist, to stay mute.

It is much easier to take the argument this far than it is to set down exactly what we should be saying. If a policy is to be based on some notion of political morality, as I believe it should be, the question must be faced — whose morality?

Many people who watched the decolonisation of Africa are understandably disenchanted with the results. Most of the newly independent countries have become military dictatorships in which the condition of the ordinary African is not necessarily any better than it was when the "wicked colonialists" were in control. General Amin is apparently a blood-thirsty tyrant; there is no logic that could prove that a government under someone like him would be more morally acceptable than, say, Mr. Ian Smith's administration.

Again, it was quite clearly wrong for the Cubans, supported by the Russians, to send troops to mow down one faction of black nationalists in the hope that the winning faction would become clients of the Communists. Last Thursday's Security Council vote, which condemned South Africa's intervention but failed to mention Cuba's, was sadly hypocritical. Yet it would have been better for the long-term interests of the West if Europe or the U.S. had been able to support the nationalists in Angola and Mozambique 10 years ago; it is our present misfortune that neither could do so.

The explanation is that at that time Africa seemed peripheral: the strategic need to maintain bases on Portuguese territory appeared to be urgent. In those days, too, some Western governments saw immediate local issues (like the maintenance of employment in munitions industries) as of greater moment than the course of events in Southern Africa.

Today South Africa and its neighbours are moving to the centre of the stage. What is done there will affect the political interests of the West so

markedly that the preoccupations of a generation ago have themselves become peripheral. This is the lesson that has to be learned by those in Britain, America and elsewhere who



Chief Gatsha Buthelezi, the KwaZulu leader, with Mr. John Vorster, South Africa's Prime Minister. Chief Buthelezi spoke recently of "offering a black hand of friendship to the whites of South Africa — probably for the last time."

have not yet understood. Some, notably on the Tory benches, seem to see all black governments as cast in the mould of Amin. Other Conservatives — not of the once-swirling old colonial school — have been so shocked by Angola that they seem to see all blacks as reds.

Yet the truth is that from the Western point of view there is one morality that can never be forgotten. We must support majority rule, which in practice means black government. Where this is the object we must see it as such, even if the same object is also supported by Russians or Cubans. This is

the stated position of both the British and the U.S. governments on Rhodesia. I believe that it is necessary to give vigorous support to majority rule for European and American reasons, as well as

munists have a much easier said in an historic speech in advocate violence. It is task; they supply arms Johannesburg recently that whether the revolution unfolds along with their badly-printed history would triumph over propaganda leaflets. We are apartheid and its "bantustans". He called for majority rule in peaceful or bloody, he said. This has been true of similar statements by African leaders in the Republic for half a century and more; the tragedy is that until a very few years ago the Whites who gave the most enthusiastic positive response were members of the tiny Communist Party.

The time to think through the likely course of events in South Africa is if there is no peaceful solution is now. The white South Africans possess a formidable army; a guerrilla war, or any other kind of war, could be long and bloody. Our Western attitude to UN initiatives in Namibia should be designed to prevent this by encouraging the peaceful transfer of power to the true nationalists there. Our answer to Mr. Vorster when he points to the Cubans or Russians or Chinese up North should be "If you bring an unnecessary battle on yourself, you fight alone."

Perhaps the greatest service that the West could do to both the West and to its own political sensibilities would be to make this both publicly and privately clear to the South African Government. This does not mean an open invitation to the Communists — for they can be kept clear, given the will, by global diplomacy. It does mean that the White South Africans should be stripped of any illusion that at the end of the day the West will come to their rescue, unless they are genuinely moving towards an accommodation with the Black South Africans inside South Africa, at a suitably rapid pace. For the sake of the West's own moral survival, we could not possibly do so.

Some followers of South African affairs might protest that this is to put too much pressure on the Afrikaners, whose governing Nationalist Party must always consider the threat on its right. But the massacre of whites in Rhodesia — and, worse, what if it comes to be believed that this was made possible by Communist economic assistance? Surely our aim must be to prevent this from happening. The best course is to continue with pressure on Mr. Vorster, in private, if he is disinclined to step down. Since we are expressing our political opposition to the Nationalist Party, the honest policy is to refuse out in detail the Government's plans for rescuing Rhodesian whites who fear Last week's election result in what might happen under a black nationalist government. The U.S. has hinted that it would oppose Cuban and South African forces in the area; of some way by a combination of force it should — but the best way would be by using every form of pressure available to bring about a peaceful transition to majority rule.

Next should the Transkei be recognised in October? For the answer is "surely not." For this is at the heart of the matter. The powerful Zulu leader, Chief Gatsha Buthelezi, does not

Pressure

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Letters to the Editor

Servicing the National Debt

From The Hon. Sec. Economic Research Council.

Sir—It has been estimated that the painful economies in the field of public expenditure are likely to be wiped out by the estimated increase in the real burden of debt services. The White Paper on Public Expenditure comments—"The cost of servicing the debt has risen substantially, and because of the cumulative effect of borrowing seems likely to continue to rise in the next few years."

In this connection, should we not look more closely at the different approach which prevails in regard to the issue of the two main forms of money, the note issue and the issue of credit. In the case of the former, issued by the Bank of England, profits accrue to the national Exchequer, thus providing an interest-free and debt free issue of money. On the other hand credit, borrowed from the banking system is issued as a debt carrying interest at the prevailing rate.

As long ago as 1943, an article on "The Future of Banking" in *The Economist* stated "The only justification that can be advanced for changing the existing like commercial rates on created credit lent to the Government is that banks incur costs in handling the deposits to which their loans give rise. But if depositors bore the cost of handling, this argument would disappear."

It is legitimate to ask whether, in the extent that credit is created by the banking system to lend to the Government, a payment for the service rendered would not be sounder and more equitable from the national viewpoint? When the Government requires new money to bridge the gap between receipts and expenditure there is, I suggest, no good reason why the nation should be required to pay vast sums in interest charges to the banking system for providing what is, in effect, a service. The same principle should apply to the creation of the nation's credit as applies to the note issue.

There is no doubt that the banking system provides an invaluable service for which they should be adequately reimbursed. Payment of interest is, in my view, unjustified. No question of savings arise, no one forges claims to wealth and in the true sense of the word, it is not a question of borrowing. The time has come for the Government to re-examine this question and to adopt a more realistic approach to the provision of finances for national purposes before we drown in a sea of unpayable debt.

Edward Holloway,
10, Upper Berkeley Street, W.1.

Waste paper and board

From Mr. C. Wilkins and Mr. D. Pearce.

Sir—In your feature on paper and board (March 28) there was an article on the threat to supplies of waste. This started by announcing the disappointment prevalent in the industry due to the Government's current attitude to a stock support scheme. We believe it is also worth recording that there is considerable relief in the waste paper trade that the Government is not going ahead with this scheme. People do not seem to be aware that last year the British Waste

Paper Association voted unanimously against Government support and, perhaps more importantly, there are considerable doubts about much of the reasoning behind a stock support scheme.

One of the major arguments is that forecasts of waste paper demand indicate that there will be shortages by the early 1980s. There appears, however, to be no logical reason to suppose that the rate of growth of waste paper consumption will be any faster in the next decade than it was in the past. Forecasts made by the European Commission suggest a slightly increased growth rate for 1975-80 compared to previous years, but the growth rate does not approach the 6.5 per cent annual growth implied by the 1.1m. tonnes annual shortage predicted by the Government in the first report of the Waste Management Advisory Council, and it is not difficult to show that this figure is entirely mythical.

In this country we have a highly efficient merchanting system (in contrast to many other countries) and it seems safe to rely on the free market to regulate the pulp substitute grades as they are required. If, however, there is a sudden excess demand for the low grades at present used for board making, it will be because, either there is a remarkable boom in packaging, or because there is a significant new use. Neither of these are currently forecast but, if they did happen, it is worth remembering that in 1974, when the prices paid rose dramatically, the weekly collections of about 6 million tons per week, or nearly 1,500 tons per week, over 1973; no one will dispute that this demonstrates a market's ability to meet reasonable demands.

In 1974 it was the buoyant demand on the Continent that led to an export boom, and some mill suppliers lost their nerve and placed enormous import orders. Subsequently, in the third quarter of 1974 the U.K. became a net importer of waste

slump and vice versa through

schemes. The italics are mine and perhaps the key to the apparent paradox.

The study apparently does show that "heat only" district heating schemes just measure up to the 10 per cent return on capital required by the Treasury and this finding alone should give a better hearing to protagonists great cause for rejoicing. It possibly also indicates a way ahead for the SSEB, a course presently not open to the Central Electricity Generating Board. The presumption, however, is that none of the schemes examined showed an economic method of generating electricity, even when a substantial value for rejected heat had been demonstrated.

There are certainly at least two ways of refuting this presumption, provided one is not pre-empted by undue adherence to established practice of restricting rates of reference.

For example, if purpose-designed, back pressure turbo-alternators are employed, they can certainly produce electricity at a cost far below 1p/kWh if the plant is sized to meet the base heat load. Though the potential savings both in terms of fuel conservation and foreign exchange are relatively modest, this is no reason whatsoever for their rejection. If, on the other hand, the scheme will be available "shortly" a prime objective is changed from heat to power generation. It is possible, by the use of cross-head

paper on a substantial scale, something that did not happen in 1973. Figures published at that time for mill stocks and usage showed that mill intake and consumption were in step, stocks were rising and therefore the imports were quite unnecessary.

Consequently we believe that the threat to supplies of waste paper has a threefold solution. First, we must get more information that we get from our forecasting and not find ourselves manipulated by a phantom position. Third, we must increase our national capacity for converting waste paper into pulp substitutes by, for instance, having a deinking newsprint plant such as the Garden State operation. Christopher Wilkins, John Dyer (Fibres), David W. Pearce, Leicester University Public Sector Economics Research Centre, Uppingham, Leicestershire.

Uncertain recovery

From The Chairman, The Anti-Deer Food Campaign.

Sir—The recent survey support your leader (March 30) on the inadvisability of import controls as recommended by the Cambridge Economic Policy Group and also your preference for a reduction in the proportion of material resources absorbed by the public sector.

One factor which may have escaped the notice of those optimists who believe that a recovery is certain to follow the current recession and that we only have to wait long enough for things to get better, because it has always happened so before, is this precise shift in the allocation of resources. When the economy was activated, by and large, on free market principles, boom tended to follow slump and vice versa through

the painful processes of market adjustment.

But when more than 60 per cent of the total activity of the national economy is completely operated by well-paid officials who are totally insulated from the stimuli of supply and demand, how are the necessary adjustments expected to take place? And if there is no automatic recovery but only deplorable recession with its consequent internal and external deficits, what then?

Oliver Smolley, Wendens Ambo, Saffron Walden, Essex.

Politics of commodities

From Dr. Paul Rogers

Sir—In your issue of March 25 you include a report by David Fishlock on the recent Government discussion paper entitled "Future World Trends". This is welcomed by your correspondent as "a perfect example of the kind of work the Cabinet Office secretariat should be undertaking."

Indeed so, then we are in some need of imperfect examples. While one might agree with some of the conclusions reached in the study, there are others which display the very narrowness of the public sector's view, which is normally the province of environmentalists. In particular, the paper criticises the simplistic view that we are running out of mineral resources, explaining that the limits to the use of such resources are economic and technological, many minerals being available in virtually inexhaustible amounts. The basic error in this line of thinking is to ignore the increasing obvious fact that problems of mineral resource availability are now largely political.

By an interesting coincidence, the same issue of your paper

also contains Malcolm Rutherford's report on the Chatham House conference on the International Politics of Commodities.

It is to be feared from this that such as General Corne of UNCTAD and William Clark of the World Bank are in no doubt that we are heading towards a period of confrontation between third world resources producers and the consumer countries of the industrialised world.

The weight of opinion among economists may still be that exercises in producer power undertaken with such success by the oil and phosphate producers may not be repeated by other third world resource producers, but there can be little doubt that attempts will be made. This could well lead to a north-south confrontation, a political situation apparently ignored by the Cabinet Office report, yet of the greatest significance for a country such as Britain.

Surely it is as narrow-minded to consider future resource problems in just economic and technological terms as it is for environmentalists to suppose that rapid resource depletion is imminent.

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GENERAL Third and final ballot for Labour Party leadership.

EEC Foreign Ministers and EEC Agriculture Ministers begin two-day meetings, Luxembourg.

Empress Farah of Iran begins visit to U.K. as guest of the Queen Mother and of British Government.

Duke of Kent, vice-chairman designate, British Overseas Trade Board, opens British Technology and Malaysia Exhibition, Kuala Lumpur.

Mr. Tariq Aziz, Iraqi Minister of Information, begins visit to Britain.

Sir Lindsay Ring, Lord Mayor of London, attends Pevsners' Commemorative Dinner, Goldsmiths' Hall, E.C.2.

Companies Registration Office begins move from London to Cardiff.

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COMPANY NEWS + COMMENT

Charles Clifford recovery to £235,000

A TURNAROUND from a 1974 loss of £188,000 to a taxable profit of £235,000 for 1975, has been achieved by Charles Clifford Industries, recently the subject of a bid approach. At half-way, profits were down from £263,000 to £235,000.

Mr. Eric Bulley, chairman, reports that the metal spraying division again achieved record figures and this easily absorbed the trading loss (excluding metal profit) incurred by the wrought metals division which was reported in the interim statement but arrested in the second half.

The result was substantially contributed to by a movement to profitability under the metal price changes and exceptional items headings but, particularly towards the end of a year of mixed fortunes, there were "encouraging" trading trends emerging, he adds.

In the wrought metals division in order to help in a "most difficult" time, all from the Board downwards voluntarily accepted a 10 per cent. cut in salary for some months, says Mr. Bulley. By the end of the year this division was again trading profitably, a position which still obtains—business is gradually improving.

Earnings per £1 Ordinary share for the year are shown at 14.3p (less 18.1p)—earnings excluding metal price changes, profits and tax thereon are 6.2p (less 1.3p).

However, in order to finance the expansion of the "highly profitable" metallisation side and to complete modernisation of Dox Pool Mills, the final dividend is restricted to a same again 3p net per share, making with the reduced interim, a total of 3p against 7p.

On the future, Mr. Bulley tells members that prospects for the continued growth of the metal spraying division are "bright" and the re-equipment of Dox Pool Mills will put the wrought metals division in a good position to take

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full advantage of industrial recovery when it comes. Receipt of the bid approach was announced on Thursday. No names have been mentioned, and shareholders were advised to take no action pending further details.

comment

A 40 per cent. improvement at the trading profit level from downwards voluntarily accepted a 10 per cent. cut in salary for some months, says Mr. Bulley. By the end of the year this division was again trading profitably, a position which still obtains—business is gradually improving.

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has registered a local company at Al Khobar, in partnership with the National Contracting Co., a member of the Remyat Group.

The new company, called Arabian Mechanical Engineering will carry out the mechanical and electrical construction of process and industrial plants.

As reported on March 6 group pre-tax profit for 1975 was £473,739 (£540,585) and the dividend 1.53p (1.44p) net.

It is anticipated that six new branches will be opened before the autumn of this year and it is intended, subject to trading performance, to modernise some.

Fixed assets appeared at £2,244m. (£2,232m.). The directors consider that in aggregate the market value at end 1975 of land and buildings substantially exceeded book. On the basis of the last valuation completed at June 30, 1975, or of subsequent cost of additions, after allowing for disposals the excess over book

value at December 31, 1975 amounted to £3.1m. (£2.2m.). Meeting, Braunstone, Leicester, April 30, noon.

Meeting, Durham, April 21, noon.

He reports that a programmed controlled automatic nickel plating plant at the Tipton factory is now operational. Also recently installed in the printing department is a conveyor varnishing plant for the application of sealing adhesives, "which will repay its capital cost in one year's operation."

The chairman points out that manufacture of specialised products produced for the paper, dyes and industrial divisions requires inbuilt engineering expertise and he says that during the year, work has proceeded on many developments of the processes involved.

Some of these have been very successfully concluded and this work on cost saving projects is continuing, the chairman adds.

Directors' emoluments include compensation to a former director of £5,202. Meeting, Birmingham on April 30 at 4 p.m.

As reported on February 18, gross income for 1975 was £1,08m. (£1,03m.) and the dividend 1.4p (1.32p) net.

Total value of the investment portfolio at the year-end stood at £2,944m. against a book value of £2,277m. Income from quoted investments rose from £157,457 to £220,265, in part reflecting benefit of a full year's income from investment of a further £0.5m. in the latter part of 1974.

At March 1, 1976, the British and Commonwealth Shipping Company (through its subsidiary, Britannia Investments) held 2,000,000 shares in the company, valued at £2,000,000.

Ordinary, Lusaka City Offices, 21.875 per cent. of the capital was held by subsidiaries of Grindlays Holdings.

Meeting, Palmerston House, 51 Bishopsgate, EC, April 27, noon.

The directors have decided not to introduce current cost accounting until details of the method and the legal implications have been clarified. But an indication of the impact of inflation is given.

This shows that application of only three of the recommended adjustments would have reduced the profit of £336,000 to only £70,000 or a loss of £203,000 (after tax £273,000).

The three adjustments are estimates of the following information: the cost of sales adjustment in relation to stock consumed; depreciation chargeable on value to the business of assets being depreciated; and current purchasing power adjustment.

Pre-tax income of Transatlantic Market Trust expanded from £24,045 to £24,138 in the year ended March 31, 1976, subject to Jersey tax of £36,814 against £20,000.

A single interim payment of 19.30p per share is declared net of Jersey tax, compared with 18.94p previously.

Gross income for the year amounted to £726,708 compared with £267,973. Equalisation payments were £35,973 (£39,200).

As reported on March 3 a loss before tax of £17,814 was incurred for the 32 weeks to January 4, 1976, compared with a profit of £894,088 for the previous year. The loss was struck after exceptional losses totalling £230,900. The dividend is reduced from 7.50p to 2p per £1 share.

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INTERNATIONAL COMPANY NEWS

Citicorp French borrowings

BY RUPERT CORNWELL

PARIS, April 4.

IN A MOVE noteworthy on two counts, Citicorp, the holding company for the Citibank group of New York, is guaranteeing a Frs.250m. loan by two of its specialised finance subsidiaries on the French capital market, carrying a floating coupon pegged to interest rates on the short term money market.

The borrowers are the housing credit concern SCAM, and CREDIM, a hire purchase finance body. It will run for ten years, although the bonds are redeemable at par from April 1978 while the two companies reserve the right to call in the debentures after five years.

The loan, however, has two particularly striking features. Firstly it is a rare example of a foreign borrower on the French domestic market, and the first ever loan, Citibank claims, from an international financial group. Hitherto non-French borrowers have been mostly confined to international organisations, such as the Coal and Steel Community or the European Investment Bank.

Secondly, it is almost the first time in the memory of most observers that a floating rate technique—common enough on the Euromarkets—has been employed within France. In November 1974 the steel body GIS,

Growth rates at ABN

BY MICHAEL VAN OS

AMSTERDAM, April 4.

ALGEMENE BANK Nederland (ABN), Holland's largest commercial bank, reports a balance sheet growth of 18.1 per cent in 1975 when it increased to Frs.47.9bn. from Frs.40.6bn. the year before. Total revenue has gone up by 27.1 per cent, to Frs.1.5bn. (Fr.1.2bn. in 1974), while expenses have advanced 17.1 per cent to Frs.1.1bn. (Fr.971m.).

The bank said that all figures incorporated those of the Mees en Hope group, which was acquired in 1974, which also goes for 1974. It had earlier announced that the consolidated net profits had risen 55.4 per cent to have gone up sharply by 54.9

Slump in Borregaard profits

OSLO, April 4.

THE BORREGAARD group, Norway's second highest industrial company, reported a profit after tax of 2.2 million kroner in 1975, a sharp drop from 1974's 10.5 million kroner.

Ordinary depreciation, interest and extraordinary items, but before year-end appropriations, of 15m. crowns in 1975 against 24m. in 1974.

Stock losses hit Nijverdal

BY MICHAEL VAN OS

AMSTERDAM, April 4.

NIJVERDAL-Ten Cate, Holland's largest textile group, suffered a loss of Frs.28.5m. in 1975, the dividend is to be passed following a 6 per cent payment for 1974.

The company said that the loss included a necessary extra devaluation of stocks, a sum put at Frs.10.4m. The company was particularly hard hit by a slump in the world textile industry and cheap imports. It employs nearly 7,000 people.

Shipping losses

MACMILLAN BLOEDER faces more shipping losses in 1976 and possibly in 1977, acting president J. Ernest Richardson said.

He said the company expects a profit of reasonable proportions in 1976 but gave no specific figure. Reuter reports from Vancouver.

Air Liquide forecast

LAIR LIQUIDE said that group net profit and turnover should be at least equivalent to 1974, when net consolidated profit rose to Frs.27.7m. (Fr.220.5m.).

Group consolidated turnover in 1974 was Frs.4.44bn. (Fr.3.73bn.), Reuter reports from Paris.

World Economic Indicators

| TRADE STATISTICS | | Feb. 76 | Jan. 76 | Dec. 75 | Feb. 75 |
|------------------|-------------|----------|---------|---------|---------|
| U.K. | Gn. Exports | 1,756 | 1,778 | 1,767 | 1,451 |
| | Imports | 2,005 | 1,951 | 1,966 | 1,745 |
| | Balance | -6249 | -173 | -199 | -334 |
| U.S.A. | Gn. Exports | 8,800.1 | 9,100.0 | 9,249.9 | 8,754.6 |
| | Imports | 9,819.9 | 9,760.0 | 9,757.7 | 9,727.6 |
| | Balance | -1,019.8 | -72.6 | -72.2 | -972.0 |
| Japan | Gn. Exports | 4,717 | 5,577 | 5,797 | 4,360 |
| | Imports | 4,048 | 4,131 | 4,675 | 3,750 |
| | Balance | -449 | -554 | -1,122 | -610 |
| W. Germany DMBn. | Gn. Exports | 19.1 | 18.4 | 20.6 | 17.7 |
| | Imports | 16.9 | 15.9 | 17.4 | 14.2 |
| | Balance | +2.2 | +2.5 | +3.2 | +3.5 |
| France | Gn. Exports | 20,096 | 18,970 | 20,800 | 19,512 |
| | Imports | 21,735 | 20,344 | 21,700 | 18,775 |
| | Balance | -1,639 | -1,374 | -900 | -737 |
| Italy | Gn. Exports | 1,769 | 2,221 | 2,000 | 1,545 |
| | Imports | 2,091 | 2,888 | 2,204 | 1,895 |
| | Balance | -322 | -667 | -204 | -350 |
| Holland | Gn. Exports | 6,992 | 6,701 | 6,949 | 6,756 |
| | Imports | 6,458 | 6,936 | 6,948 | 6,579 |
| | Balance | +534 | -235 | +1 | +177 |
| Belgium | Gn. Exports | 89,861 | 99,265 | 92,468 | 91,219 |
| | Imports | 90,242 | 100,539 | 93,233 | 90,025 |
| | Balance | -3,381 | -1,274 | -765 | +1,194 |

Money and Exchanges

Bank of England Minimum Lending Rate of 9 per cent. (since March 5, 1976).

Day-to-day credit was expected to be in good supply for the most part last week, but on several occasions early forecasts were overturned during the day and official assistance was required.

The authorities gave an exceptional amount of help on Monday by buying Treasury bills and Corporation bills, but on Tuesday a heavy surplus was absorbed by large sales of Treasury bills. A small amount of Treasury bills to relieve the shortage of funds. The Bank of England to purchase Treasury bills from the discount houses.

Short-term fixed period interest rates tended to decline in the first few days, but were firmer from Thursday onwards, following the weakness of sterling and the rise in the pound.

At the Treasury bill tender the average rate of discount increased by 0.0025 per cent to 8.48 per cent and MLR was unchanged at 9 per cent.

Sterling came under heavy pressure on Thursday, though there were signs of nervous trading earlier in the week, on rumours of selling of the pound by a middle east oil exporting country. British Treasury's labelled publication of an increased trade deficit and concern over Italy's political situation.

The U.S. dollar's trade-weighted average fell to 128.12 on Friday, improved to 130.00 per cent from 127.22 per cent.

Gold fell \$2 to \$128.12 on Friday, following the sale by the International Monetary Fund. Trading was quiet to moderate however.

with its trade-weighted average depreciation also as other currencies rose. On Friday the pound continued to fall, touching \$1.2830-\$1.2850, before closing at \$1.2805-\$1.2810, a fall of 0.0025 per cent on the week.

The Bank of England's calculation of sterling's depreciation, continued to widen to 35.5 per cent in early dealings and to a record 35.8 per cent at noon, before closing at 33.8 per cent at the end of the previous week.

The Italian Lira lost further ground on Friday, following publication of an increased trade deficit and concern over Italy's political situation.

The U.S. dollar's trade-weighted average fell to 128.12 on Friday, improved to 130.00 per cent from 127.22 per cent.

Gold fell \$2 to \$128.12 on Friday, following the sale by the International Monetary Fund. Trading was quiet to moderate however.

EXCHANGE CROSS-RATES

| April 2 | Frankfurt | New York | Paris | Brussels | London | (Antwerp) | Zurich |
|-----------|-----------|----------|----------|----------|--------|-----------|--------|
| Frankfurt | 2,400.15 | 4,227.07 | 6,512.62 | 6,756.74 | 54.45 | 100.15 | 25.25 |
| New York | 39.31 | 100.00 | 128.12 | 128.12 | 1.28 | 1.28 | 1.28 |
| Paris | 128.12 | 128.12 | 100.00 | 100.00 | 0.79 | 0.79 | 0.79 |
| Brussels | 128.12 | 128.12 | 100.00 | 100.00 | 0.79 | 0.79 | 0.79 |
| London | 1.28 | 1.28 | 0.79 | 0.79 | 100.00 | 100.00 | 100.00 |
| (Antwerp) | 1.28 | 1.28 | 0.79 | 0.79 | 100.00 | 100.00 | 100.00 |
| Zurich | 25.25 | 25.25 | 0.79 | 0.79 | 100.00 | 100.00 | 100.00 |

EURO-CURRENCY INTEREST RATES

| April 2 1976 | Sterling | U.S. Dollar | Canadian Dollar | Dutch Guilder | W. German Mark | Swiss Franc |
|--------------|----------|-------------|-----------------|---------------|----------------|-------------|
| 3 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |
| 6 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |
| 9 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |
| 12 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |
| 18 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |
| 24 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |
| 36 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |
| 48 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |
| 60 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |
| 72 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |
| 84 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |
| 96 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |
| 108 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |
| 120 months | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 | 8 1/4 |

FORWARD RATES

| One month | Three month |
|--------------------------|-----------------|
| New York 0.90-0.90 c. pm | 2.20-2.20 c. pm |
| London 0.90-0.90 c. pm | 2.20-2.20 c. pm |
| Paris 0.90-0.90 c. pm | 2.20-2.20 c. pm |
| Brussels 0.90-0.90 c. pm | 2.20-2.20 c. pm |
| London 0.90-0.90 c. pm | 2.20-2.20 c. pm |
| Paris 0.90-0.90 c. pm | 2.20-2.20 c. pm |
| Brussels 0.90-0.90 c. pm | 2.20-2.20 c. pm |
| London 0.90-0.90 c. pm | 2.20-2.20 c. pm |
| Paris 0.90-0.90 c. pm | 2.20-2.20 c. pm |
| Brussels 0.90-0.90 c. pm | 2.20-2.20 c. pm |

SPECIAL DRAWING

RIGHT RATES

| April 2 | April 1 |
|----------|----------|
| 0.617844 | 0.609778 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |

OTHER MARKETS

| April 2 1976 | April 1 1976 |
|--------------|--------------|
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |

MINING NOTEBOOK

What Amax portends for Selection Trust

BY LODESTAR

AT A SUPERFICIAL glance the stake held by London's Selection Trust in Amax, America's international mining giant, looks like a sure thing. The price of the stock is only 8.9 pence. But its New York market value, even including the investment dollar premium less the U.K. Treasury's 25 per cent off-take, tends to equal, and sometimes surpass, the price of Selection Trust on this side of the Atlantic.

operation in that country, which has developed into a major headache for both its backers, Amax and South Africa's Anglo American. They are determined pressing on, however, despite the big technical problems that have resulted in large financial requirements, far beyond those originally envisaged.

Botswana RST

If I might digress at this point a London broker, Laurence, Prust, in its newly expanded mining services, has had sufficient courage to recommend Botswana RST shares at 45p. Under the heading a "buy for the bad news" they base their theory on the capital reconstruction that must inevitably take place. It will naturally mean that the public shareholders cannot hope to retain 40 per cent of the equity. But the minority holders will be offered terms which could enhance their current position.

Their conclusion is that the expected improvement in metal prices would also help Selebi-Pitwe, but stress that their recommendation of Botswana is based on the hope that the capital reorganisation. This is a situation which I would not like to underwrite as a buying signal, but it may offer some solace to existing holders who could be forgiven for thinking that all might eventually be lost.

Molybdenum

It will be directed towards expanding operations in molybdenum, coal, petroleum, natural gas, copper and nickel, all of which have substantial potential to increase earnings. Here lies Amax's strength, its diversification.

Black diamonds

But it is still coal in the U.S. that really brings the gleam of enthusiasm to Mr. MacGregor's eye. Understandably so, when he was one of the first to recognise the coal boom which this country's fossil fuel would make in supplying the requirements of an energy-starved world. So now Amax has long-term contracts for the delivery of some 10 million tons of coal to the U.S. by 1980, subject, of course, to cost-escalation and

price-revision clauses. Present plans are to produce 50m. tons annually by 1978.

Amax were \$34 in New York on Friday. The price may be a bit heavy for investors over here, especially in view of the dollar investment premium, but any strong forward movement would undoubtedly be reflected in Selection Trust shares which, at 46p, have no currency premium handicap.

A fortnight ago I wrote about Australia's big resources of coal, and on the shares of Utah Mining Australia in particular. Last week, as reported in our Mining News column on Thursday, the Government gave the go-ahead for Utah Development's big Northwich coal project in Queensland, subject to a lift in the Australian equity content.

This raises a number of intriguing questions on how this will be done, especially a lift of Mitsubishi's 15 per cent stake in Northwich. Various theories in Sydney naturally revolve around U.M.A. 10.8 per cent holder of the U.S.-controlled Utah Development Corporation, being the most likely means through which increased Australian participation will take place.

A \$100m. deal

The fund-raising for the big Richards Bay heavy minerals project in Natal, foreshadowed here on March 15, has now been clinched. An external loan of \$130m. (£74m.) has been raised with the balance (\$127m.) negotiated locally. Total cost of the venture is put at \$250m. (£154m.) with production starting within two years.

Full annual capacity is put at 35,000 tons of rutile, 115,000 tons of zircon, 398,000 tons of titanium slag, and 201,000 tons of low-manganese pig-iron. Participants are Quebec Iron and Titanium, a Canadian offshoot of Kennecott, with 40 per cent, and the South African Corporation and South Africa's Industrial Development Corporation with 30 per cent each.

The deal is a much-needed de-stresser of confidence in the future of South Africa's mining industry over which political clouds now hang so heavily.

INSURANCE

DC-10 crash claims

BY OUR INSURANCE CORRESPONDENT

THE CONSEQUENCES of the Turkish Airlines DC-10 crash outside Paris two years ago have continued to be discussed in some legal and insurance circles in the period since the California jury awarded the dollar equivalent of some \$740,000 to two orphaned children at the beginning of the month. Latest information is that the insurers of the manufacturers have decided to appeal, so it seems that it will be many months before finality is achieved either on that particular claim or the claims for other passengers which must depend for their success on the legal arguments still in dispute. However, at this stage aviation insurers are still thinking in terms of some \$50m. total payout.

Accounting

The aviation market (as the marine market and Lloyd's underwriters) works to a three-year accounting system: at the end of the second year the 1974 account is showing very little profit, while for total or severe partial "wide body" losses, a cost of around \$50m. has been registered against the 1975 account.

However, on the credit side 1975 proved to be an exceptional year from the viewpoint of air safety, with a substantial fall in passenger fatalities, a total of 715 in jets and turbo-prop aircraft throughout the world. (Compare the 7,000 killed on the roads of this country in any one year.) So while the number of aircraft in service has steadily increased the number lost has steadily declined. But principally because of inflation there has been no similar decline in the average or aggregate value of aircraft, and the industry is virtually destroyed. The total value of Western-built jets so lost or destroyed in 1975 was approaching \$50m. In the period 1973 to 1975 the average loss in respect of Western-built aircraft had risen by around 55 per cent, reaching over \$4.5m. per aircraft in 1975.

Nothing new

There is of course nothing new in forum shopping: it is a legal practice that has developed considerably in the last decade and nowadays it is a real possibility that the multi-national corporation and its insurers must take into account when arranging liability insurance to meet legal claims. And it is not just for the multinational corporation that this is true.

Undoubtedly insurers, particularly the aviation market, have taken a less than adequate view of the likely cost of cover for McDonnell Douglas, and the effects of the settlements when finally made will be felt for a long while, both by the dent to claims funds and in the necessary reappraisal of rates throughout the world.

About 10 days ago the Aviation Insurance Offices' Association

GOLD MARKET

| Gold Bullion, a fine ounce | April 2 | April 1 |
|----------------------------|---------|---------|
| London | 128.12 | 128.12 |
| New York | 128.12 | 128.12 |
| Paris | 128.12 | 128.12 |
| Brussels | 128.12 | 128.12 |
| London | 128.12 | 128.12 |
| Paris | 128.12 | 128.12 |
| Brussels | 128.12 | 128.12 |
| London | 128.12 | 128.12 |
| Paris | 128.12 | 128.12 |
| Brussels | 128.12 | 128.12 |

FOREIGN EXCHANGES

| April 2 1976 | Bank | Dev's | Close |
|--------------|--------|--------|--------|
| New York | 128.12 | 128.12 | 128.12 |
| London | 128.12 | 128.12 | 128.12 |
| Paris | 128.12 | 128.12 | 128.12 |
| Brussels | 128.12 | 128.12 | 128.12 |
| London | 128.12 | 128.12 | 128.12 |
| Paris | 128.12 | 128.12 | 128.12 |
| Brussels | 128.12 | 128.12 | 128.12 |
| London | 128.12 | 128.12 | 128.12 |
| Paris | 128.12 | 128.12 | 128.12 |
| Brussels | 128.12 | 128.12 | 128.12 |

OTHER MARKETS

| April 2 1976 | April 1 1976 |
|--------------|--------------|
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |

London tea sales

| April 2 1976 | April 1 1976 |
|--------------|--------------|
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |
| 1.2812 | 1.2812 |

Public Works Loan Board rates

Effective from March 27, 1976.

| Years | By | At | By | At |
|---------------|-----|-----|-----|-----|
| Over 5 to 10 | 101 | 101 | 121 | 121 |
| Over 10 to 15 | 111 | 111 | 131 | 131 |
| Over 15 to 20 | 121 | 121 | 141 | 141 |
| Over 20 to 25 | 131 | 131 | 151 | 151 |
| Over 25 to 30 | 141 | 141 | 161 | 161 |

INTERNATIONAL COMPANY NEWS—EURO MARKETS

The pace quickens

BY MARY CAMPBELL

AFTER relatively few new issue announcements recently, the pace quickened last week. The terms of two issues which closed—Alcan and Manitoba—were changed in the favour of the borrower and this encouraged further issues.

On Thursday, Long Term Credit Bank of Japan announced a \$25m. five year issue via First Boston (Europe), with an indicated coupon of 8½ per cent, and Budd Automotive of Canada announced a \$30m. seven year issue via Smith Barney, indicated coupon 9½ per cent.

These two were followed on Friday by three further issues. The main development in the D-Mark sector was the coupon increase from 7½ to 8 per cent. by Guest, Keen and Nettlefolds International with an indicated coupon of 9½ per cent. Industrial Acceptance Corporation of Canada is raising Can\$30m. for seven years via Wood Gundy, indicated coupon 9½ per cent., and Royal Bank of Scotland is raising £10m. in seven year floating rate notes via Schroder Wagg with the usual ½ per cent. spread and a minimum rate of 7½ per cent. Also expected in the market soon is a \$25m. five year issue for Gruppement des Industries Siderurgiques via Societe Generale.

Caution at Grace

BY JAMES FORTH

SYDNEY, April 4.

GRACE BROS. HOLDINGS, the major retailer and remodeler group, lifted earnings 24 per cent. in the January half year. The interim dividend is held at 3.75 cents a share.

Despite the improvement the Board said that the period was difficult and lack of confidence by the buying public was having its effect on retail sales. Grace had overcome its problems with a combination of growth consolidation, improved productivity and cost reducing measures.

The Board warned that a general lack of confidence persisted despite predictions of an upturn in the latter half of 1978 subject to negotiation.

BY JAMES FORTH

SYDNEY, April 4.

GEORGE WESTON Foods, the bakery, flour and food group controlled by Associated British Foods of the U.K., has lifted its dividend after a startling increase in profits. Earnings for the 13 months to January 31, were \$47.4m.—easily a record—compared with \$42.8m. in the 12 months to December 1974. The directors blamed delays in approval for price increases and low export prices for most of the year. Weston has also revalued land and buildings which resulted in an increase of \$42.3m. in property values.

Indices

NEW YORK—DOW JONES

| | 1976 | | | | | | | | | | | | Since completion | | |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|--------|--------|------------------|--|--|
| | April 2 | April 3 | Mar. 31 | Mar. 30 | Mar. 29 | Mar. 28 | Mar. 27 | Mar. 26 | Mar. 25 | High | Low | High | Low | | |
| Industrials | 391.56 | 394.10 | 393.46 | 392.15 | 397.40 | 395.46 | 393.21 | 392.23 | 394.21 | 385.77 | 385.70 | 41.92 | 37.58 | | |
| Govt Bonds | 72.82 | 72.82 | 72.85 | 72.84 | 72.87 | 72.88 | 72.88 | 72.88 | 72.88 | 72.88 | 72.88 | 72.88 | 72.88 | | |
| Transports | 308.38 | 308.90 | 307.87 | 307.84 | 308.87 | 309.62 | 311.51 | 311.51 | 311.51 | 311.51 | 311.51 | 311.51 | 311.51 | | |
| Utilities..... | 87.70 | 87.70 | 87.70 | 87.70 | 87.70 | 87.70 | 87.70 | 87.70 | 87.70 | 87.70 | 87.70 | 87.70 | 87.70 | | |
| T'ing rol- over's : | 17.28 | 17.28 | 17.28 | 17.28 | 17.28 | 17.28 | 17.28 | 17.28 | 17.28 | 17.28 | 17.28 | 17.28 | 17.28 | | |
| | | | Mar. 28 | Mar. 19 | Mar. 12 | | | | | | | | | | |
| Ind. div. yield % | | | 2.68 | 2.76 | 2.76 | | | | | | | | | | |

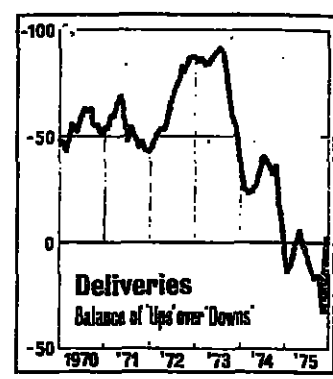
FT Monthly Survey of Business Opinion

COMPANY NEWS Lambert Howart sales ahead

GENERAL OUTLOOK

Revival in confidence continues

THE REVIVAL in confidence about the state of the economy and prospects for individual companies which was so apparent last month has been given further weight by the latest survey. The all-industry index shows that over half the companies are now more optimistic than four months ago and under a tenth less optimistic.

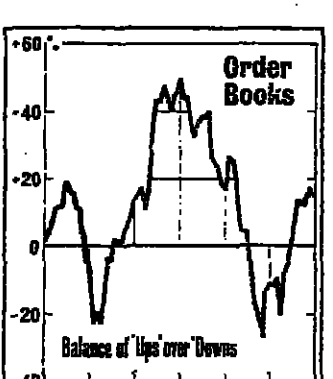


Although the index is still at the highest level since summer 1975, it has slipped back fractionally during the last month. This is because of continued caution in the textiles and clothing sector where companies see little change in the U.K. and are more hopeful about an improvement overseas.

ORDERS AND OUTPUT

More optimism on new orders

A MORE optimistic view is being taken all round on the trend in new orders and in future turnover. The four month moving total now shows that 28 per cent of respondents report a rise in the trend of new orders over the period, compared with 16 per cent at the time of the January survey. But two-fifths of all the all-industry sample have still experienced a declining trend in new orders in the past four months.

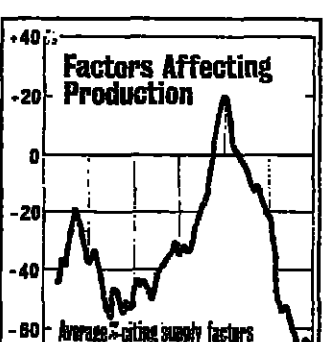


The improvement in orders has also begun to show through in the trend of deliveries with a net balance of the all-industry sample reporting a rise over the past four months, with a particularly large increase for construction and building. All three sectors this month are also more inclined to expect an increase in output over the next 12 months.

CAPACITY AND STOCKS

Output levels increase

CONFIRMATION of a definite change of trend over the last few months is contained in the indicators of capacity working, production factors and stocks. Thus, the percentage of companies working at or above planned output levels among the three sectors covered this month has increased since last November, although still less than a tenth of the all-industry sample are working above target capacity (notably in the construction sector).



The beginnings of the upturn are also shown by the continued rise in the number of companies

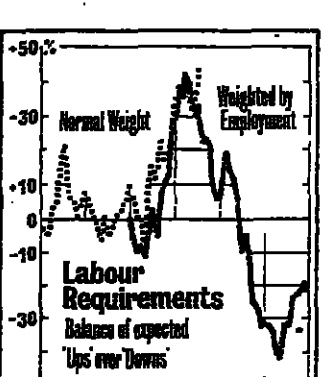
CAPACITY WORKING

| 4 monthly moving total | | March 1976 | | | |
|------------------------|-----------|------------|------------|------------------|----------------------------|
| Dec. Mar. | Nov. Feb. | Oct. Jan. | Sept. Dec. | Constrn. & Bldg. | Food & Textiles & Clothing |
| 9 | 7 | 6 | 5 | 22 | 4 |
| Planned output | | | | | |
| 43 | 38 | 32 | 44 | 31 | 71 |
| Below target capacity | | | | | |
| 47 | 54 | 58 | 47 | 47 | 25 |
| No answer | | | | | |
| 1 | 1 | 4 | 4 | — | 12 |

INVESTMENT AND LABOUR

No impact on manpower needs

THE BEGINNINGS of a general economic recovery have yet to make any impact on manpower needs. Indeed, after a tendency for the net deficit between "ups" and "downs" to improve over the last six months, there has been a slight deterioration in the four monthly moving total in March. Just over two-fifths expect a fall in the labour force over the next year, and only a fifth a rise in numbers employed.

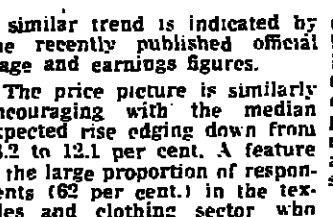


However, among the three sectors covered this month a striking feature is that building and construction is more inclined to expect an increase in its labour force than last November with a clear net balance envisaging a

COSTS AND PROFIT MARGINS

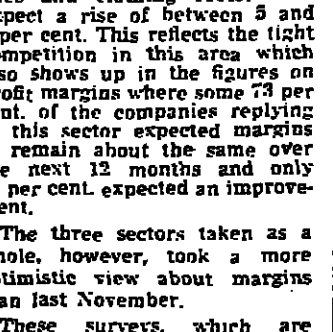
Deceleration in unit costs rise

INDUSTRY CONTINUES to be generally more optimistic about inflation with no signs yet of any reaction to the impact on costs of the recent fall in the sterling exchange rate. This applies particularly to unit costs where the median forecast rise is at its lowest level for two years, and



The three sectors taken as a whole, however, took a more optimistic view about margins than last November. These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives about their companies' situation and prospects.

Three industries and some 30 companies are covered in turn every month from a sample based upon the FT-Activities Index, which accounts for about 60 per cent of the total turnover of all public industrial companies. The weighting is by market capitalisation, save where an alternative weighting is specifically mentioned.



The all-industry figures are four-monthly moving totals, covering some 150 companies in 11 industry groups (mechanical engineering is surveyed every second month).

GENERAL BUSINESS SITUATION

| 4 monthly moving total | | March 1976 | | | |
|------------------------|-----------|------------|------------|------------------|----------------------------|
| Dec. Mar. | Nov. Feb. | Oct. Jan. | Sept. Dec. | Constrn. & Bldg. | Food & Textiles & Clothing |
| 51 | 52 | 41 | 36 | 42 | 4 |
| More optimistic | | | | | |
| 40 | 40 | 47 | 45 | 36 | 58 |
| Neutral | | | | | |
| 9 | 8 | 12 | 19 | 22 | 15 |
| Less optimistic | | | | | |

EXPORT PROSPECTS (Weighted by exports)

| 4 monthly moving total | | March 1976 | | | |
|------------------------|-----------|------------|------------|------------------|----------------------------|
| Dec. Mar. | Nov. Feb. | Oct. Jan. | Sept. Dec. | Constrn. & Bldg. | Food & Textiles & Clothing |
| 85 | 77 | 72 | 69 | 79 | 88 |
| Higher | | | | | |
| 12 | 13 | 11 | 10 | 15 | 7 |
| Same | | | | | |
| 3 | 9 | 14 | 17 | 6 | 12 |
| Lower | | | | | |
| — | 1 | 3 | 4 | — | — |
| Don't know | | | | | |

NEW ORDERS

| 4 monthly moving total | | March 1976 | | | |
|------------------------|-----------|------------|------------|------------------|----------------------------|
| Dec. Mar. | Nov. Feb. | Oct. Jan. | Sept. Dec. | Constrn. & Bldg. | Food & Textiles & Clothing |
| 28 | 19 | 16 | 20 | 38 | 15 |
| Up | | | | | |
| 21 | 20 | 16 | 15 | 25 | 17 |
| Same | | | | | |
| 40 | 48 | 56 | 55 | 37 | 4 |
| Down | | | | | |
| 11 | 13 | 12 | 10 | — | 25 |
| No answer | | | | | |

PRODUCTION/SALES TURNOVER

| 4 monthly moving total | | March 1976 | | | |
|------------------------|-----------|------------|------------|------------------|----------------------------|
| Dec. Mar. | Nov. Feb. | Oct. Jan. | Sept. Dec. | Constrn. & Bldg. | Food & Textiles & Clothing |
| 2 | 2 | 1 | 1 | — | 2 |
| Rise over 20% | | | | | |
| 1 | 1 | 1 | 1 | — | — |
| Rise 15-19% | | | | | |
| 15 | 12 | 5 | 2 | 18 | 8 |
| Rise 10-14% | | | | | |
| 26 | 18 | 15 | 12 | 31 | 15 |
| Rise 5-9% | | | | | |
| 50 | 52 | 53 | 57 | 22 | 73 |
| About the same | | | | | |
| 2 | 1 | 4 | 4 | 14 | — |
| Fall 5-9% | | | | | |
| — | 1 | 4 | 5 | — | — |
| Fall over 10% | | | | | |
| 4 | 13 | 17 | 18 | 15 | 12 |
| No comment | | | | | |

STOCKS

| 4 monthly moving total | | March 1976 | | | |
|------------------------|-----------|------------|------------|------------------|----------------------------|
| Dec. Mar. | Nov. Feb. | Oct. Jan. | Sept. Dec. | Constrn. & Bldg. | Food & Textiles & Clothing |
| 48 | 42 | 35 | 26 | 54 | 39 |
| Increase | | | | | |
| 35 | 39 | 42 | 56 | 31 | 44 |
| Stay about the same | | | | | |
| 16 | 14 | 18 | 14 | 15 | 17 |
| Decrease | | | | | |
| 1 | 5 | 5 | 4 | — | — |
| No comment | | | | | |

FACTORS CURRENTLY AFFECTING PRODUCTION

| 4 monthly moving total | | March 1976 | | | |
|-----------------------------|-----------|------------|------------|------------------|----------------------------|
| Dec. Mar. | Nov. Feb. | Oct. Jan. | Sept. Dec. | Constrn. & Bldg. | Food & Textiles & Clothing |
| 88 | 86 | 87 | 92 | 99 | 88 |
| Home orders | | | | | |
| 59 | 57 | 54 | 58 | 99 | 46 |
| Export orders | | | | | |
| 11 | 10 | 10 | 4 | 14 | — |
| Executive staff | | | | | |
| 6 | 2 | 4 | 4 | 22 | — |
| Skilled factory staff | | | | | |
| 2 | — | — | — | 22 | — |
| Manual labour | | | | | |
| 5 | 8 | 9 | 15 | — | 11 |
| Components | | | | | |
| 6 | 11 | 9 | 7 | 4 | — |
| Raw materials | | | | | |
| 6 | 5 | 4 | 1 | 14 | — |
| Production capacity (plant) | | | | | |
| 5 | 5 | 5 | 4 | — | — |
| Finance | | | | | |
| 8 | 7 | 9 | 3 | — | 11 |
| Others | | | | | |
| 5 | 5 | 7 | 13 | — | — |
| Labour disputes | | | | | |
| 3 | 2 | 2 | 1 | — | 11 |
| No answer/no factor | | | | | |

LABOUR REQUIREMENTS (Weighted by Employment)

| 4 monthly moving total | | March 1976 | | | |
|------------------------|-----------|------------|------------|------------------|----------------------------|
| Dec. Mar. | Nov. Feb. | Oct. Jan. | Sept. Dec. | Constrn. & Bldg. | Food & Textiles & Clothing |
| 19 | 18 | 16 | 9 | 35 | 7 |
| Increase | | | | | |
| 40 | 45 | 47 | 60 | 40 | 34 |
| Stay about the same | | | | | |
| 41 | 37 | 37 | 31 | 25 | 59 |
| Decrease | | | | | |

CAPITAL INVESTMENT (Weighted by Capital Expenditure)

| 4 monthly moving total | | March 1976 | | | |
|-------------------------------------|-----------|------------|------------|------------------|----------------------------|
| Dec. Mar. | Nov. Feb. | Oct. Jan. | Sept. Dec. | Constrn. & Bldg. | Food & Textiles & Clothing |
| 25 | 23 | 35 | 36 | 9 | 1 |
| Increase in volume | | | | | |
| 30 | 18 | 13 | 6 | 65 | 21 |
| Increase in value but not in volume | | | | | |
| 7 | 11 | 12 | 18 | 17 | — |
| Stay about the same | | | | | |
| 38 | 48 | 39 | 40 | 9 | 25 |
| Decrease | | | | | |
| — | — | — | — | — | — |
| No comment | | | | | |

COSTS

| 4 monthly moving total | | March 1976 | | | |
|------------------------|-----------|------------|------------|------------------|----------------------------|
| Dec. Mar. | Nov. Feb. | Oct. Jan. | Sept. Dec. | Constrn. & Bldg. | Food & Textiles & Clothing |
| 0-4% | 1 | — | — | — | — |
| Wages rise by: | | | | | |
| 5-9% | 9 | 8 | 6 | 6 | — |
| 10-14% | | | | | |
| 43 | 43 | 50 | 51 | 44 | 56 |
| 15-19% | | | | | |
| 30 | 36 | 33 | 31 | 29 | 17 |
| 20-24% | | | | | |
| 1 | 4 | 4 | 4 | — | — |
| 25-29% | | | | | |
| — | — | — | — | — | — |
| 30%+ | | | | | |
| 2 | 2 | 2 | — | — | — |
| Same | | | | | |
| 1 | 1 | 1 | — | — | — |
| Decrease | | | | | |
| — | — | — | — | — | — |
| No answer | | | | | |

Unit costs rise by:

| 4 monthly moving total | | March 1976 | | | |
|------------------------|-----------|------------|------------|------------------|----------------------------|
| Dec. Mar. | Nov. Feb. | Oct. Jan. | Sept. Dec. | Constrn. & Bldg. | Food & Textiles & Clothing |
| 7 | 6 | — | — | 15 | — |
| 0-4% | | | | | |
| 13 | 10 | 8 | 7 | 4 | 4 |
| 5-9% | | | | | |
| 44 | 27 | 28 | 23 | 51 | 76 |
| 10-14% | | | | | |
| 27 | 38 | 39 | 38 | 22 | 2 |
| 15-19% | | | | | |
| 2 | 5 | 7 | 7 | — | 4 |
| 20-24% | | | | | |
| — | — | 4 | 6 | — | — |
| 25-29% | | | | | |
| — | — | — | — | 3 | — |
| 30%+ | | | | | |
| 1 | 1 | — | — | — | — |
| Same | | | | | |
| — | — | — | — | — | — |
| Decrease | | | | | |
| 10 | 10 | 12 | 17 | 2 | 18 |
| No answer | | | | | |

PROFIT MARGINS

| 4 monthly moving total | | | | March 1976 | | |
|------------------------|--------------|--------------|---------------|----------------------|----------------|------------------------|
| Dec. Mar. | Nov. Feb. | Oct. Jan. | Sept. Dec. | Constrcn. & Bldg. | Food & Tobacco | Textiles & Clothing |
| 34 | 27 | 25 | 21 | 44 | 42 | 15 |
| Improve | | | | | | |
| Remain the same | 22 | 21 | 25 | 30 | 34 | 37 |
| Contract | 42 | 47 | 42 | 42 | 22 | 21 |
| 42 | | | | | | |

"WE APPROACH OUR HALF CENTURY WITH IMPRESSIVE RESOURCES... A STRONG BRITISH BASE AND A GLOBAL SPREAD OF BUSINESS"

Mr Rowland Wright, Chairman of ICI



ing stockholders at the 49th Annual General Meeting of Imperial Chemical Industries Limited, held in London on April 2nd, the Chairman, Mr Rowland Wright, said:

"Meeting takes place in our fiftieth year, ICI having been incorporated in December 1926. Some of our stockholders have held their stake in the company ever since that date, and have seen for themselves how ICI has grown in strength and stature to become one of the world's principal chemical companies. We approach our first half-century with impressive resources. While we have a strong British base, we have established a global spread of business, and we have developed a broad and well-balanced range of products, backed by advanced technology."

Relations
To work for us, I am happy to say, is a good experience. Industrial relations have to be one long story of militancy and standing. In the normal way, the management of ICI has many opportunities to meet face to face and to hear their views. In addition over the past year, I have made a special effort to discuss informally groups of employees - at all levels - a number of topics affecting them and our company. These were frank and stimulating, which took place at many of our plants, both at home and abroad, and I found in talking with and listening to thousands of our people. I found courage in their attitude and in the well-being of ICI."

Year
1975 has helped us to come through 1975. It did. Let me remind you that it was not a testing year. I do not think we realise that by the second quarter, chemical production had fallen by no less than 10 per cent in the course of just over a year - a contrast to the growth, averaging 5 per cent that we had learnt to expect ever since. In the first half of 1975 the value of the three great trading areas - the United States and Japan - actually fell. Chemicals were particularly hard hit. There was some recovery in the second half of the year, but output of chemicals as a whole was 9 per cent lower than in the first half of 1974. We were with one of the highest inflation rates in any country. It was only in the last few months of the year that the gloom began to lift."

difficulties we did well to achieve a 5 per cent increase in the value of our sales, with the price being more than offset by price increases. So, these price increases were not over the very large rise in our costs. Before taxation and grants fell by more than £327 million. After the excellent 1974 this was a setback, but it was a severe one. Profit falls suffered in parts of the world chemical industry. It required a degree of resilience which, I believe, for the soundness of our

well-balanced product range could not have been. As it was, although serious downturn in fibres, plastics and other degree, petrochemicals and chemicals, the effect of that was lessened by a decrease in some basic inorganic fertilisers, crop protection products and chemicals. This is not to say that we

are content to sit back and see any part of the business suffer losses, as our fibres interests in both the United Kingdom and Continental Europe did last year. We are determined to achieve an improved return from our investments in this sector."

Breadth of Operations
We grew strength from the geographical breadth of our operations. While results in Continental Europe and the United States were disappointing, results in Canada were outstanding, and in India, Malaysia and some businesses in the United Kingdom they were better than might have been expected in a world recession. The value of our exports from the United Kingdom fell from the record level of 1974, but we were able once again to make a significant contribution towards the country's balance of payments; this time of £350 million."

"ICI's international dimension is the result of much hard work and planning over many years. For a company such as ours, based on high technology, it is not an option but a necessity. Chemical plants can only be competitive when built on a large scale, and they therefore need extensive markets to absorb their output. We must also be in a position to spread our considerable research costs over the largest possible volume of sales. This is why we seek out opportunities right across the world to capitalise on our technology, experience and commercial drive. In turn, this creates opportunities for new industries and new skills in our host countries. A great deal of nonsense is talked about international companies, and I will not burden you with a detailed account of our own policies and practices overseas. However, I should like to emphasise that in general our overseas subsidiaries stand on their own feet, manage their own affairs and develop their own managerial talent. One aspect of this may be of interest to you. Earlier this week the English chairman of our group of companies in India retired, and that leaves one - just one - European among the hundreds of ICI managerial staff there."

Creation of Wealth
"In every country where we have manufacturing interests, our business is to create wealth by adding value to the raw materials we buy. The wealth created by industry is not for the benefit of a few. It is the bedrock on which security of employment stands, and the source - the only source - from which major social improvements

can flow. This simple fact needs to be widely understood and for this reason we have presented in the Annual Report a statement of the year's results in terms of value added. This shows that the total wealth created by ICI in 1975 approached £1½ thousand million. What happened to this very large sum? More than half was paid out in employee benefits, mainly in wages and salaries. A fifth was needed to cover our tax bills and to remunerate the providers of capital - yourselves, the ordinary stockholders; our loan and preference stockholders; and minority shareholders in subsidiaries. The remainder - some £300 million - was retained for reinvestment in the business, supplying about three-quarters of the money required for new fixed assets, additional working capital and new investments. The balance came from additional borrowings, principally to finance overseas projects. May I say in passing that we were particularly pleased with the success of our \$100 million public borrowing in the United States. As part of that operation, America's two foremost rating agencies made a very thorough examination of ICI's performance and prospects, and we became the first non-US industrial company to be awarded the top rating, triple-A."

Capital Expenditure
"We maintained our capital programme throughout 1975, despite the recession. Total expenditure on fixed assets and increased working capital came to more than £400 million, and we sanctioned another £390 million - well over half of it for plants in the United Kingdom. In 1976 we expect to maintain broadly the same levels, with sanctioning at some £360 million and expenditure at more than £400 million; in addition, we expect to spend over £80 million on the Ninian oilfield."

| The Group in 1975 (1974 figures in brackets) | | |
|---|-----------|---------|
| | £ million | |
| Sales | 3,099 | (2,955) |
| Profit before tax | 327 | (455) |
| Exports from the UK (f.o.b. value) | 586 | (636) |
| Assets employed | 2,748 | (2,412) |
| Expenditure on fixed assets (new plant) | 332 | (199) |

"This is a large programme: even when inflation of costs has been allowed for, this year's expenditure will show an increase on last year's in real terms. But we are confident that it should be undertaken. Our confidence springs from our past performance and from our present determination to regain the level of profitability we achieved in 1974. The Group return on assets in 1975, less than 15 per cent, was far from satisfactory, and we must look for a return much higher than this if we are to sustain our growth in real terms."

Impact of Inflation
"To achieve this, the first requirement will be to remain competitive. As an international company, we compete against similar companies in the world chemical market, and for too long we have had to do so while suffering, in Britain, one of the world's highest inflation rates - currently double that of West Germany, for example. The impact of inflation is a familiar story to every household in this land, but let me pick out one fact that may be less familiar to you. Since 1970, the cost of constructing chemical plants has more than doubled, and in 1975 it was 28 per cent higher than in the previous year. Inflation also brings with it an increased demand for extra working capital. We shall need £200 million more this year than in 1975, which means that much less will be available for new fixed assets."

"Inflation can also mislead us about how well we are doing. You will see in our Accounts an inflation-adjusted statement. It is based on

Current Purchasing Power but would not be significantly different, we believe, if computed on the Current Cost Accounting method which was recommended by the Sandilands Committee, and which we expect to adopt. These figures contain a message that cannot be ignored. Nothing is more vital and urgent for Britain today than a drastic reduction in the rate of inflation, and we strongly support the Government's efforts to achieve this."

Open Consultation
"Our competitiveness also depends on our own efforts to improve the effectiveness of the business in every aspect, from research to plant utilisation, from marketing to energy usage. As part of this process, we have been continuing, particularly in the United Kingdom, to look closely at the value of products produced and sold per person employed. This is still significantly lower than the figures achieved by our chief overseas competitors; higher output per person employed is one of our top priorities and must be a subject of continuing discussion with our employees. We believe that decisions affecting the future of those who work for us should be made on the basis of facts openly displayed and openly discussed with them, and in ICI we have the machinery for doing this. Our consultation processes have been evolved over the course of fifty years and from the outset they have involved all levels, including the ICI Board. We are constantly seeking to improve and extend them in response to changes in our industrial society and, by building on a well-established base, to ensure that whatever arrangements we arrive at have two great merits: they are realistic, and they are practical. There is a saying that an ounce of practice is worth a ton of theory, and I think this should be borne strongly in mind wherever there is a tendency to talk in theoretical terms about what has come to be called industrial democracy."

Management Team
"1975 proved to be a particularly demanding year for all our employees world-wide, and it is reassuring that during such a difficult period industrial relations throughout the Group remained generally good. I would, however, like to make special mention of our management team in the United Kingdom. They, like their colleagues overseas, have had to face successfully the twin problems of recession and inflation, but at the same time have seen their living standards fall disproportionately to that of other employees: comparisons with their counterparts overseas only add to this unfavourable outlook. It is a prime concern of your Board that, if our Company is to be led in the dedicated way we need and expect, our managers should feel that their efforts are appreciated and recognised."

Prospects for 1976
"I have given you a brief review of ICI in 1975 - a year of difficulties and disappointments, undoubtedly, but also a year in which our strengths were fully tested and not found wanting. Let me now give you some indication of how we see 1976."

"The marked improvement in the volume of sales, partly due to the effect of restocking, which we saw in the last quarter of 1975 has continued. So far this year, sales outside the United Kingdom, including exports, have been running at distinctly higher levels compared with the same period last year. In Continental Europe recovery is continuing, and from many of our other overseas interests there is confirmation that the world economy has passed the trough of the recession, with expectations of growth for the remainder of the year. Forecasts for world chemical production indicate output levels about 11 per cent higher than in 1975, but our own assessment of the United Kingdom's chemical production suggests a very much lower level than this. The eventual outcome for the year will,

therefore, be heavily dependent on our overseas performance."

"All this gives grounds for moderate optimism, but I have also to sound a note of caution. Firstly, it will be in the national interest for Government to restrain United Kingdom demand. Secondly, the falling value of sterling, whilst assisting exports, will add to our bill for imported raw materials and intermediates; and even without the sterling factor we face still escalating prices for naphtha - the oil fraction which is the key raw material for petrochemicals, plastics, fibres, and many other products. Finally, we must press for higher selling prices if we are to recover these higher costs and, in conjunction with our drive for improved operating efficiency, achieve the improvement in profits to which I have already referred."

"Much will depend on the success of the Government's anti-inflation strategy; there is a long way to go and I firmly add my voice to those who say, as I believe the vast majority of people in Britain now do, that this is our highest national priority. We also look to Government for a strong lead in fostering a healthy economy by allowing industry the freedom to operate successfully and profitably."

"A strong line on inflation, a climate in which industry can grow and prosper: we can justifiably look to Government for these. What no-one should expect, from any government, is the creation out of thin air of the money to make reality of expectations. There are plenty of expectations, and very laudable ones; we all want to see an end to unemployment, poverty and hardship, we all want to see new homes, hospitals and schools built, better provision made for old age and infirmity. There is no lack of hope and compassion in our society, but I only wish that it was accompanied by a more widespread recognition that higher standards of living must come from the wealth created in the country's factories, workshops and laboratories. Those of us who work in industry have a job that becomes increasingly more difficult and complex. If we sometimes complain, it is because we hear so much criticism, much of it ill-informed, about industry and so little about the indispensable role it plays."

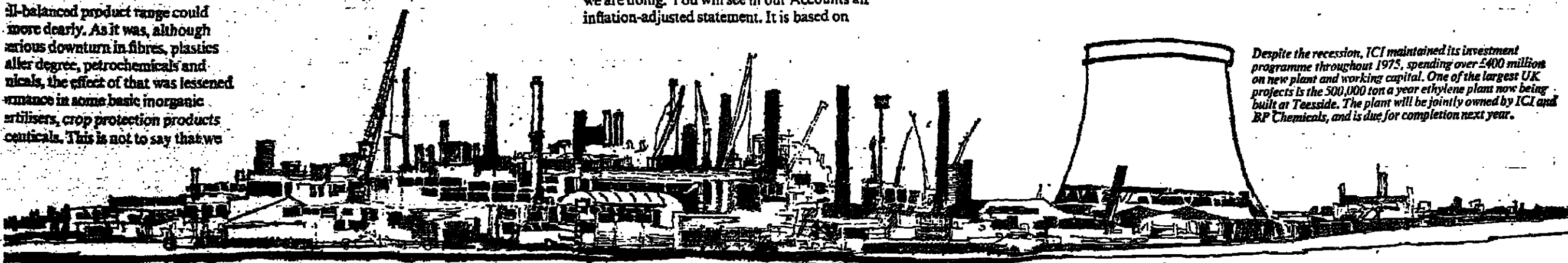
Directorate
"There are a few items concerning the Board which I must bring to your attention. Let me say first how deeply shocked we were by the death in January of Sir Ronald Edwards. He had been a non-executive Director since 1969, and we valued him both as a friend and a colleague; he is greatly missed."

"Three new Directors have been appointed since our last Meeting. Mr A. A. Jarratt, Chairman and Chief Executive of Reed International Limited, joined us in September as a non-executive Director. Mr F. J. K. Hillebrandt, the Company's Treasurer, and Mr J. R. Ibbes, General Manager responsible for planning, were appointed as executive Directors a month ago. Earlier this week, we lost on their retirement the services of Mr Frost, our Finance Director, and Mr Townsend, who has been particularly concerned with our business in Continental Europe. Both have rendered long and valuable service as executive Directors."

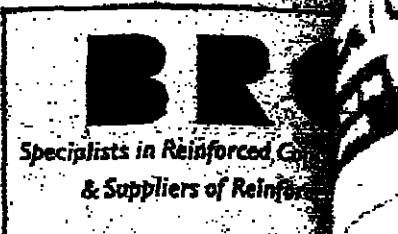
Tribute to Employees
"Lastly, I know you will want to join me in thanking our employees all over the world for their efforts over the past year. Recession and inflation put heavy demands on them, but in their response to these demands they showed, yet again, that ICI's people are its greatest strength."



Despite the recession, ICI maintained its investment programme throughout 1975, spending over £400 million on new plant and working capital. One of the largest UK projects is the 500,000 ton a year ethylene plant now being built at Teesside. The plant will be jointly owned by ICI and BP Chemicals, and is due for completion next year.



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CBI optimistic about export-led recovery

BY ADRIAN HAMILTON

THE CONFEDERATION of British Industry remains optimistic that a potentially sustainable export-led recovery is now underway, in contrast with the gloomy predictions by the Cambridge group and others.

According to the CBI's latest economic situation report for the end of March, there are now "more realistic opportunities for a soundly based and therefore sustainable recovery from recession than in recent years."

It bases its view on mounting evidence from its monthly and quarterly trends inquiries that the revival in output on this occasion is being engineered by a combination of export demand and the end to de-stocking rather than a refutation of domestic demand.

Given a continuing limitation of domestically induced inflation and success in containing wage rises over the coming years, the CBI believes that this development could result in a soundly based export-led recovery, an explosion and resulting deflation of previous peaks in the business cycle.

Shipowners stress need to lower prices

BY JOHN WYLES, SHIPPING CORRESPONDENT

BRITISH SHIPPING industry leaders have advised the Government that the gap between shipping prices in Britain and abroad must be bridged before a steady flow of orders from British shipowners becomes likely.

Representatives of the General Council of British Shipping stressed this point to the Department of Industry and Department of Trade officials last week during talks which are a preliminary to full tripartite discussions involving British shipbuilders, the State corporation which will run shipbuilding after nationalisation.

The aim is to try to define the work needs of individual shipyards and to consider how they might be matched to suit the requirements of British shipowners. The Government is pinning its hopes that a large scale run-down of British shipbuilding over the next 18 months can be avoided by attracting a sufficient volume of orders from British owners.

But only a handful of owners are likely to buy British unless home prices can match

foreign competition. In most cases the lowest quoted price has been coming from Spain and the Government is apparently hoping that the price gap, amounting to nearly 40 per cent. for some ships, will be narrowed following understandings reached last week at the Organisation for Economic Co-operation and Development.

Details of the guidelines agreed by the OECD shipbuilding countries have not yet been published, but the general commitment to reduce shipbuilding capacity, announced after the meeting, is thought unlikely to prevent the British Government trying to maintain Britain's shipbuilding at its present level if it decides to do so.

A flow of orders from British shipowners would greatly help to keep the yards ticking over. Traditionally about 55 per cent. of British shipbuilding is for the export market, of 75 per cent. of Britain's building capacity. But such were the attractions of foreign prices last year that little more than 6 per cent of British orders were placed with home yards.

Danish yard reassured

BY HILARY BARNES

COPENHAGEN, April 4

AALBORG Shipyard has received satisfactory guarantees against losses on four refrigeration ships built for the Israeli Maritime shipping group Maritime Fruit Carriers, according to sources here.

Two of the ships were impounded last month in the German port of Hamburg and Rouen in France, respectively. But after negotiations in Copenhagen, the ships, chartered by the Swedish shipping line Salén, were allowed to sail on Friday evening.

The sources refused to give details of the arrangement. The guarantees were reportedly provided by foreign banks which persuaded the yard not to press its case. These guarantees were sufficiently sound for the Danish Ship Mortgage Institute and the Export Credit Council to agree to a moratorium on further payments until the end of August.

The two ships were arrested because Maritime Fruit failed to pay instalments on the vessels last November. The total outstanding on the four ships is Kr.125m. (about £10.6m.).

The Danish authorities were under strong international pressure to come to an understanding with Maritime Fruit. The British Government was among those which made representations to the Ministry of Commerce here.

It was feared that if the Danes pressed their case, other creditors would be forced to do the same, causing Maritime Fruit's liquidation. This would have widespread repercussions for both world shipping and shipbuilding.

The sources stressed, however, that the shipyard and the other Danish interests have not backed down without getting the kind of guarantees they were looking for before the ships were held.

Weather

U.K. TO-DAY
MOSTLY bright or cloudy, with rain or showers. Wind, S.W. veering W. strong, perhaps gale. Max. 7C (45F).

England, E. Anglia, E. Midlands, Channel Is.
Bright, sunny, becoming cloudy. Some rain. Wind, W. moderate or fresh. Max. 9C (48F).

W. Midlands, S.W. N.W. and (ent. N. England, Wales
Cloudy, some rain. Wind, fresh or strong. Max. 9C (48F).

Lakes, I. of Man, N.E. England, Borders, Edinburgh and Dundee, Aberdeen, S.W. Scotland, Glasgow, Cent. Highlands
Outlook: Changeable, showers or rain. Also some bright or sunny intervals.

BUSINESS CENTRES
Y-day mid-day
Amsterdam C 17 63
Brussels C 17 63
Frankfurt C 17 63
Geneva C 17 63
Paris C 17 63
Rome C 17 63
Stockholm C 17 63
Zurich C 17 63

EEC Ministers to hold session on Budget

BY REGINALD DALE

LUXEMBOURG, April 4

EEC Foreign and Finance Ministers are to hold a joint session here to-morrow for the first time to try to agree on the political priorities for next year's Community Budget. One of the aims is to avoid the traditional haggling over the different budgetary sections when detailed proposals for 1977 come up for discussion later in the year.

The Ministers will be looking at a Commission Paper which outlines the main areas for spending next year, but contains few precise figures, mainly because it is not yet possible to make forecasts for agricultural expenditure, which accounts for the major part of the EEC Budget.

What will emerge from to-morrow's meeting is far from clear. The British and German Governments see the exercise as part of a new attempt to keep tighter control on EEC spending and to ensure that it is politically justified. But any attempt to put ceilings on agricultural expenditure, for example, would be strongly resisted by France.

Penalised

One major item the Ministers will try to settle is the Community's planned external expenditure next year, in particular financial aid for its Southern European and Arab neighbours. The hope is that the Foreign Ministers, who meet separately here on Tuesday, will then be able to agree detailed proposals for aid to Greece, Portugal, Turkey and the Middle East countries—Egypt, Lebanon, Syria and Jordan—which have been haggling for many months.

Another problem which may be raised by the Dutch and Germans is the exchange rate for the unit of account used for calculating member States' contributions and receipts in national currencies.

Bonn has long argued that Germany is unfairly penalised by the present system, under which the conversion is done at outdated exchange rates. The U.K., on the other hand, which benefits from the current system, is arguing that any change should be put off until 1978 at the earliest.

The Ministers are not expected to be involved in any detailed follow-up of last week's summit here, which asked for further study of ways to ensure economic convergence between the different member States. The EEC Budget is not big enough to make any real impact on domestic economic policies and the first major discussion of the summit's recommendations is likely to be at the next Finance Ministers' meeting here on April 26.

But the summit is bound to be a major topic for discussion in this week's session here of the European Parliament. The Parliament is likely to be extremely upset by the failure to agree on the size of the new Assembly after it starts to be directly elected in 1978—despite continued appeals from European MPs for a clear decision. The original target date for the election, May/June 1978, is now looking less and less realistic.

Editorial Comment, Page 12

Sunley wins £9m. Dubai building contract

By Michael Cassell, Building Correspondent

BERNARD SUNLEY has won a £9m. contract to provide a central medical services complex for the Government of Dubai.

The complex, to be one of the largest of its type in the world, will include a sterile supply department, a pharmacy, State health department stores and medical department workshops. It will also have an electric trucking system and handling facilities for containerisation.

An agreement to construct the complex was signed last week. Architects for the project are John R. Harris and Partners, including 19 major build. The Dubai Government has also signed an agreement with Al Habtoor Engineering Enterprises for the final phase of the project. Rashid Hospital extensions. The first two phases were built by Sunley, as was the original hospital. Architects for all phases of the work are John R. Harris.

It was also announced at the week-end that Taylor Woodrow International has joined with State Constructional Contracting of Iraq to provide management and technical advice on constructing a new £32m. phase of the University of Baghdad.

Work on the project has already begun and the new phase, programmed to take six years, includes 19 major buildings, early works and final landscaping.

The buildings include laboratories, classrooms, a library, auditorium, restaurants, canteens and mosque. Architects are The Architects' Collaborative International.

Leyland threat lifts as SU men end three-week strike

BY KEITH LEWIS

A MAJOR threat to British Leyland car production, due to be a major topic for discussion in this week's session here of the European Parliament. The Parliament is likely to be extremely upset by the failure to agree on the size of the new Assembly after it starts to be directly elected in 1978—despite continued appeals from European MPs for a clear decision. The original target date for the election, May/June 1978, is now looking less and less realistic.

Editorial Comment, Page 12

tantly accepted that there was no chance of success with their demand for pay increases back-dated to December.

Mr. George Regan, strike committee chairman, said: "We are responsible people and certainly do not want to cause further hardship to the thousands of British Leyland's workers."

With dignity

Mr. Ken Cure, AUEW district secretary, said they had made the decision "with dignity" after agreeing they had gone as far as they could.

Negotiations are to follow which, under the pay policy, are restricted to increases of 3.5 a week payable from April 1.

Meanwhile, one more Leyland strike remains unresolved. This involves 70 toolroom workers who have been out from the Dreads Lane suspension plant since last Wednesday in support of demands for an extra £1m. a year to give them parity with staff-rated toolroom demonstrators.

Like the SU men's demand, theirs would appear to be a clear breach of the pay policy which, as well as limiting the strike to 26 a week increase, stresses there must be at least 12 months between rises. For the Dreads Lane men, it means they must wait until October.

Output of suspension units has been unaffected so far, but the impact of the strike is likely to be felt as machines break down. Ultimately, production of front wheel drive Austin-Morris models could be hit.

Amex Bank buys 30% stake in fund management group

BY KEITH LEWIS

AMEX BANK, the London-based merchant banking subsidiary of American Express, has taken a 30 per cent. shareholding in the Edinburgh investment management company Ivory and Sime.

The price paid has not been disclosed, but is understood to be "well into six figures." Two-thirds of the sum has gone to buying out some of the shares held by the existing ten directors and one-third is new money.

Up until quite recently, Ivory and Sime managed 19 authorised unit trusts in the Ebor and Scots' bits groups, both of which are part of Save and Prosper. It is now acting in an advisory role to all Save and Prosper's £500m. worth of funds.

Ivory and Sime has slumped down its staff and moved into one premises, as a result of losing the management commission for the Save and Prosper funds. Cost

savings have been sufficient to cover the lost fees.

Ivory currently manages some £250m. of funds, most of which are in investment trusts (notably British Assets, Atlantic Assets and Viking Resources), pension funds and charities. The investment house, also advises on a further £40m. worth of funds.

Ivory, which has seven consecutive years of increasing profits, hopes to achieve international contacts through the link with Amex, although there will be no immediate increase in the funds under management. The purchase of the 30 per cent. holding has been based on a multiple of approximately ten times after tax earnings.

The new money coming into Ivory—which was transformed from a partnership into limited liability company on May 1, 1975—is to be placed on deposit

for the time being. However, it is hoped that the new funds will enable the company to take advantage of opportunities as they arise.

From the standpoint of Amex—which apparently made the initial approach last October—the bank will now be able to offer a full investment service to its corporate clients, something it has been unable to do since the parent American Express took the decision to withdraw from investment management.

The new link with Ivory is expected to be particularly useful in the context of pension fund management.

Most of the Amex customers are U.K.-based, but with a strong overseas bias. The bank recently reported pre-tax profits of £2.3m. in the last financial year.

THE LEX COLUMN

Funding the next deficit

The Chancellor's Budget speech is not going to be any about the encouraging trends within the U.K. economy. It will dwell at some length on the contrast between the rate of price and wage inflation now and 12 months ago, on the improvement in the trade balances, and on the early signs of economic recovery. It will even have something cheerful to say about the public sector borrowing requirement since the figure for 1975-76, 4.5 per cent, is going to look anything like a steep as seemed possible a few months ago: it could be roughly a tenth below the £12m. mooted in January's letter to the IMF.

Yet the security markets have become distinctly hesitant ahead of the Budget message. The All-Share Index and the 20-year Government Stock Index stand 6 and 8 per cent. respectively below their end-January peaks, and the 30-Share Index closed on Friday at the lower end of the range between 388 and 418 where it has been trading for nearly three months. The main worry about the Budget concerns how a deficit on the scale which seems likely in the coming year can be accommodated within a period of cyclical economic recovery.

Savings ratio

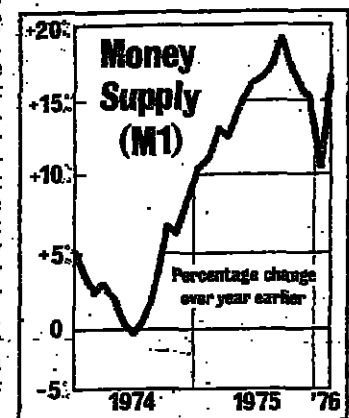
The IMF letter deliberately left room for the PSBR to rise to £12bn. in 1976-77, and most early estimates focus somewhere around that figure: some go above. Over the last year or so, the impact on purchasing power of a deficit on this scale has largely been offset by the private sector's determination to build up its financial assets. An analysis in the latest Midland Bank Review shows that as a proportion of disposable income, the acquisition of financial assets by the private sector during the 12 months to last September reached a level unprecedented in the last decade, and suggests that the ratio has risen even further since then.

But it also expresses real doubts about whether individuals and companies will take up financial assets on such a scale at a time of economic recovery.

The last couple of months has shown what can happen to the money supply if gilt sales fade away when the Government is still, a heavy borrower. The remaining very strong, will sooner or later be tempted back by the rates offered in the gilt market.

But the Chancellor also promised the IMF that he would restrain "excessive" monetary expansion, and no one has forgotten the way that after the money supply started to accelerate, interest rates were pushed up last summer in order to provide a base from which to launch a gilt-edged sales campaign. While public spending continues to rise in real terms, this threat will cast a growing shadow over gilt and also, given dividend restraint and the size of the yield gap, over equities.

There is very little that the Chancellor can say to-morrow to remove this threat. Even the optimists, and there are one or two, who are expecting a significantly lower borrowing requirement in 1976-77, also concede that any such projection in the Financial Statement is an element of guess



Amex/Ivory

Ivory and Sime down the performance fund managers a couple of years ago otherwise — it was this background. Bank's acquisition cent. stake will be in the early 1970s investment trusts the most spec formers, and even Atlantic Assets w top dozen for growth. But some slipped back in 1974-75 to lag the market. Atlantic's 1974-75 performance reflects its Par — equivalent quarter of net w — and the shares just over a fifth high.

The group is a slimmer than it was managing many and Prosper unit ing on a research basis — and total management are £250m., compare £400m. a couple. The link with A produce any sud new funds, but lead to longer-term particularly in the on the Continent changes have n hiccup in profits, apparently show growth over the 1 two, who are expecting a sig- and are expected requirement in 1976-77, also been disclosed, reflect a 1/2 of 1 tions in the Financial Statement an element of guess

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